

# M O S E R S

Missouri State Employees' Retirement System

*A Component Unit of the State of Missouri*



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 1994



# MOSERS

Missouri State Employees'  
Retirement System

*A Component Unit of the State of Missouri*

COMPREHENSIVE  
ANNUAL FINANCIAL REPORT  
Fiscal Year Ended June 30, 1994

M. Steve Yoakum  
Executive Director

Gary Irwin  
Chief Financial Officer

Missouri State Employees' Retirement System  
906 Leslie Boulevard  
P.O. Box 209 • Jefferson City, Missouri 65102  
(314) 751-2342

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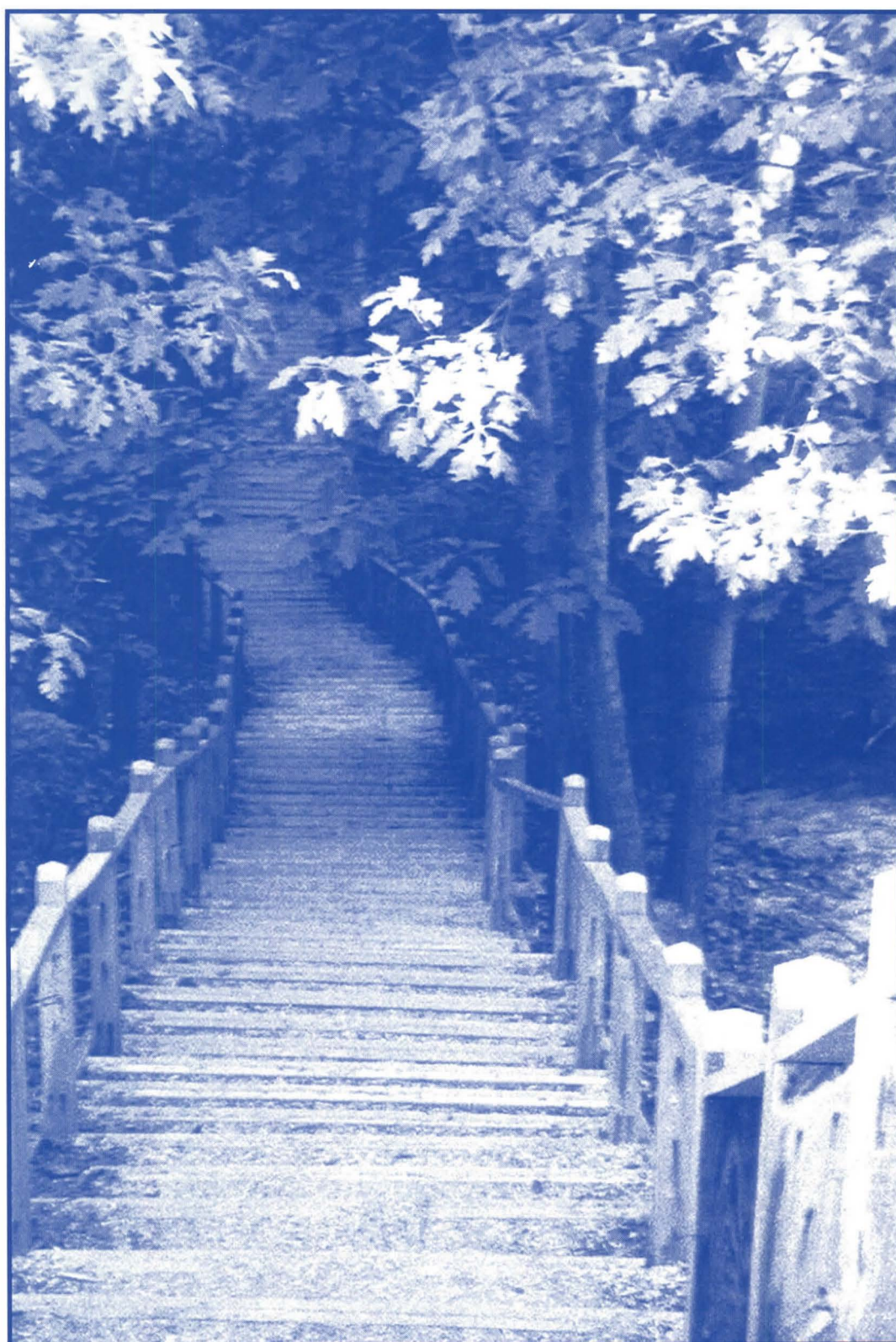
## *Actuarial Section*

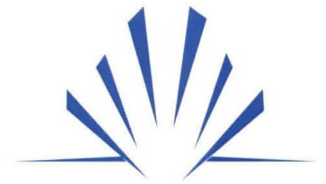
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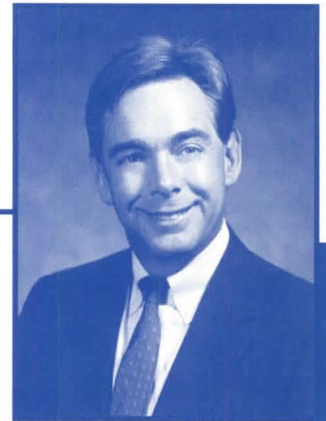




*Introductory  
Section*



# Letter of Transmittal



## MISSOURI STATE EMPLOYEES' RETIREMENT SYSTEM

P.O. BOX 209 • 906 LESLIE BOULEVARD • JEFFERSON CITY, MISSOURI 65102 • (314) 751-2342

**M. Steve Yoakum**  
Executive Director

**Rosemary Eppenauer**  
Assistant Executive Director

October 7, 1994

The Board of Trustees  
Missouri State Employees' Retirement System  
Jefferson City, Missouri 65101

It is with great pleasure that I submit the annual report of the Missouri State Employees' Retirement System (MOSERS) for the fiscal year ended June 30, 1994. Having accepted the position of Executive Secretary of the Public School Retirement System of Missouri effective July 1, 1994, this will be my final submission. I leave MOSERS with mixed emotions; sadness for leaving those I have come to know at MOSERS but also with eager anticipation for the challenges that face me in the future at the Public School Retirement System. I also leave with the peace of mind that the person chosen as my successor, Gary Findlay, a demonstrated leader in the public pension industry, will provide continuing professional administration of MOSERS.

MOSERS is considered a component unit of the State of Missouri for financial reporting purposes and, as such, the financial reports contained in this report are also included in the State of Missouri Comprehensive Annual Financial Report. The financial information presented in this report is the responsibility of the management of MOSERS and sufficient internal accounting controls exist to provide reasonable assurance regarding the safekeeping of assets and fair presentation of the financial statements, supporting schedules and statistical tables. The report is also designed to comply with the provisions of Sections 104.480 and 105.661 of the Revised Statutes of Missouri (RSMo) as amended. For ease of use, the report has been divided into the following four sections. The Introductory Section contains general information regarding the operations of MOSERS. The Financial Section contains the financial reports and schedules of the funds administered by MOSERS. The Actuarial Section contains actuarial information regarding the funding of the pension trusts. The Statistical Section contains statistical data pertaining to the benefits paid by MOSERS and the investments of the system.



For the fiscal year ended June 30, 1994, the pension trust funds total revenues were \$318,860,543 while total expenses were \$100,402,921 resulting in an increase of \$218,457,622 and leaving a fund balance of \$2,457,258,627 at June 30, 1994. Revenues were down by \$65,300,499 compared with the previous year, chiefly the net result of a decrease in investment income of \$70,009,815 and an increase in contributions received of \$3,607,489. Expenses were up by \$8,909,981 compared with the previous year, chiefly the net result of an increase in benefit payments of \$9,416,097 and a decrease in administrative expenses of \$501,959. The decrease in administrative expenses was primarily due to a lowering of investment management fees after a change from active to passive/index investment management initiated mid fiscal year 1993 on a significant portion of the investments of the fund. The Board of Trustees returned to active management of those assets during the latter half of fiscal year 1994 and chose to provide the system an international equity investment exposure through a commingled index fund managed by Bankers Trust Company. Funding of the international index fund began towards the end of June with the first investment in the fund completed on July 1, 1994.

The funding objective of the MOSERS and ALJRS pension trust funds is to meet long-term benefit promises through contributions that remain approximately level as a percent of member payroll. Historical information relating to the progress of meeting this objective is presented on pages 38-42. The MOSERS pension trust fund experienced an increase in the unfunded actuarial accrued liability of \$283,658,600 while the ALJRS pension trust fund experienced an increase of \$237,357 in the unfunded actuarial accrued liability. Additional information regarding the actuarial valuation of the pension trust funds can be found in the actuarial section of this report.

The Internal Service fund experienced total operating and non-operating revenues of \$71,133,191; total expenses of \$47,389,092; and transfers of net assets to the Missouri Consolidated Health Care Plan of \$8,870,859 resulting in an increase of \$14,873,240, thereby leaving a fund balance of \$802,079 at June 30, 1994. Total revenues were down by \$41,737,438 and expenses were down by \$70,484,216 compared with the previous year chiefly as a result of the transfer of the Missouri State Medical Care Plan operations to a new state entity, the Missouri Consolidated Health Care Plan, on January 1, 1994. The transfer of the operations of the Missouri State Medical Care Plan to the Missouri Consolidated Health Care Plan is now complete with MOSERS retaining the operations of the Life and Long-Term Disability Plan in the internal service fund.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to MOSERS for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 1993. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR) whose contents



## Letter of Transmittal (con't)

conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. MOSERS has received a Certificate of Achievement for the last five consecutive years (fiscal years ended 1989-1993). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

This report is a product of the combined efforts of the MOSERS staff under the leadership of the Board of Trustees. It is intended to provide complete and reliable information as a basis for making management decisions, as a means for determining compliance with legal provision, and as a means for evaluating responsible stewardship of the funds of the system. MOSERS continues to receive an unqualified opinion from our independent auditors whose report can be found on page 26.

This report is provided to the Governor, the State Auditor, the Joint Committee on Public Employee Retirement of the General Assembly, and all the state agencies. These agencies form the link between MOSERS and its members and their cooperation contributes significantly to the success of MOSERS. We hope the agencies and their employees find this report both informative and useful.

On behalf of the Board of Trustees, I would like to take this opportunity to express my gratitude to the staff, to the advisors, and to the people who have worked so diligently to assure the continued successful operation of the System. I would also like to take this opportunity to express my gratitude to the Board of Trustees for the opportunities provided to me as Executive Director of MOSERS and wish the new Executive Director of MOSERS, Gary Findlay, and the staff of MOSERS continued success.

Respectfully Submitted,

A handwritten signature in dark ink, appearing to read "M. Steve Yoakum", written in a cursive style.

M. Steve Yoakum  
Executive Director

## Achievements

### Certificate of Achievement for Excellence in Financial Reporting

Presented to

#### Missouri State Employees' Retirement System

For its Component Unit  
Financial Report  
for the Fiscal Year Ended  
June 30, 1993

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose component unit financial reports (CUFRs) achieve the highest standards in government accounting and financial reporting.



*Arnold L. Hahn*

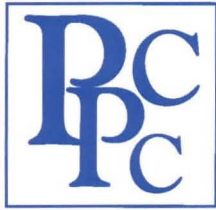
President

*Jeffrey L. Esser*

Executive Director



## Achievements



**Public Pension Coordinating Council**  
**Public Pension Principles**  
**1993 Achievement Award**

Presented to

**Missouri State Employees'**  
**Retirement System**

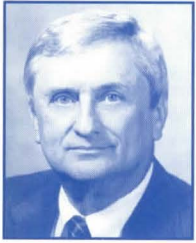
In recognition of instituting professional standards for public employee retirement systems as established by the Public Pension Principles.

*Presented by the Public Pension Coordinating Council, a confederation of*  
Government Finance Officers Association (GFOA)  
National Association of State Retirement Administrators (NASRA)  
National Conference on Public Employee Retirement Systems (NCPERS)  
National Council on Teacher Retirement (NCTR)

  
Michael L. Mory  
Chairman

# Board of Trustees

## Chairman



**Ronald Larkin**  
Director of Operations  
State Courts Administrators Office  
Elected Active Member  
Term expires 12/31/94  
*Personnel Committee ★*

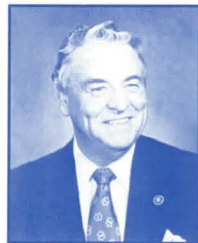
## Vice Chairman



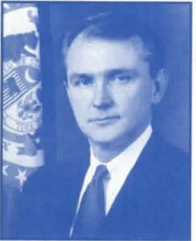
**Thomas F. Hodges**  
Probation Officer  
Probation and Parole  
Elected Active Member  
Term expires 12/31/94  
*Benefits Committee,  
Personnel Committee, Investment Committee ★*



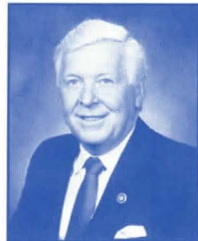
**Richard Hanson**  
Commissioner of Administration  
Ex-Officio Member  
*Investment Committee, Legislative Committee,  
Benefits Committee*



**John T. Russell**  
Senator  
Senate Member  
Term expires 12/31/94  
*Investment Committee, Budget Committee ★*



**Bob Holden**  
State Treasurer  
Ex-Officio Member  
*Investment Committee, Budget Committee*



**John Scott**  
Senator  
Senate Member  
Term expires 12/31/94  
*Investment Committee, Legislative Committee ★*



**Bradley Ketcher**  
Governor's Office  
Governor Appointed Member  
Term expires 1/31/96  
*Personnel Committee,  
Benefits Committee*



**Bill Skaggs**  
State Representative  
House of Representatives Member  
Term expires 12/31/94  
*Legislative Committee,  
Benefits Committee*



**Janette Lohman**  
Director, Department of Revenue  
Governor Appointed Member  
Term expires 1/31/96  
*Personnel Committee, Budget Committee*



**Richard Franklin**  
State Representative  
House of Representatives Member  
Term expires 12/31/94  
*Benefits Committee,  
Investment Committee, Budget Committee*

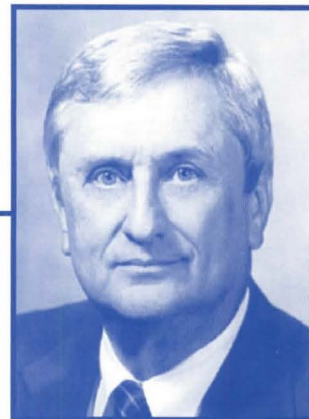


**Bryan Ornburn**  
Elected Retired Member  
Term expires 12/31/94  
*Benefits Committee ★,  
Legislative Committee*

★ Denotes committee chairman



# Letter from the Chairman



## MISSOURI STATE EMPLOYEES' RETIREMENT SYSTEM

P.O. BOX 209 • 906 LESLIE BOULEVARD • JEFFERSON CITY, MISSOURI 65102 • (314) 751-2342

**M. Steve Yoakum**  
Executive Director

**Rosemary Eppenauer**  
Assistant Executive Director

October 7, 1994

Dear Members:

On behalf of the Board of Trustees, I am proud to present the Missouri State Employees' Retirement System's (MOSERS) Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 1994.

Fiscal year 1994 was a period of major changes for MOSERS.

The Board of Trustees continued to review the MOSERS equity asset allocation during fiscal year 1994. The review resulted in the hiring of additional asset managers with the objective of maximizing returns on investments while diversifying in order to reduce risks. Our fund continues to have a very good asset to liability ratio.

The transfer of the Missouri State Medical Care Plan operations to the new entity, the Missouri Consolidated Health Care Plan (MCHCP), was successfully completed in fiscal year 1994. On behalf of the MOSERS Board, I would like to take this opportunity to wish the MCHCP's Board of Trustees, management and staff continued success in their endeavors in the management of health care.

On June 30, 1994 Steve Yoakum served his last day as Director of the Missouri State Employees' Retirement System due to his acceptance of the position of the Executive Secretary for the Public School Employees' Retirement System. On behalf of the Board of Trustees, I would like to express

our sincere appreciation to Steve for his service provided to the MOSERS Board of Trustees and its members. We wish him well in his new position. Although we are saddened by Steve's departure from MOSERS we were equally pleased to have been able to secure the services of his replacement, Gary Findlay. Gary, originally from Missouri, comes to MOSERS from his position as CEO of the nationally known actuarial firm, Gabriel, Roeder, Smith & Company. We are fortunate to have a person with his broad background in the retirement business serving as Executive Director of the System.

I would like to take this opportunity to once again thank the members, retirees, advisors, and staff who assist the Board of Trustees in the prudent operation of our retirement system. After eight years on the Board, I chose not to run for a new term. Thanks to all of you who have made my service on the Board such a rewarding and enjoyable experience.

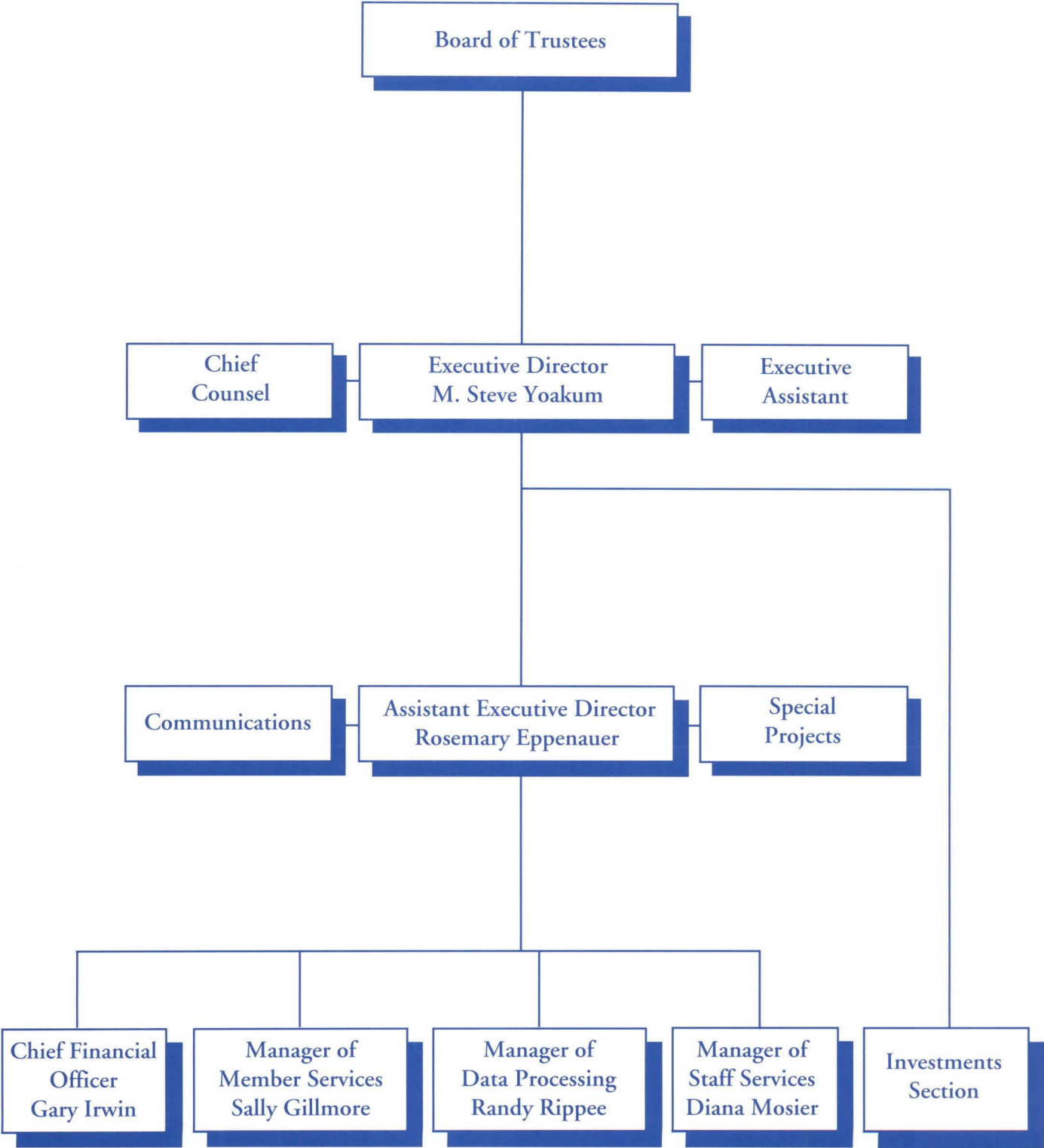
Sincerely,

A handwritten signature in blue ink that reads "Ronald L. Larkin". The signature is written in a cursive style with a large, stylized "R" and "L".

Ron L. Larkin  
Chairman, Board of Trustees



# Administrative Organization



# Organization of MOSERS

The Executive Director and the Assistant Executive Director are responsible for the operation of the MOSERS office. The Executive Director is accountable to the Board of Trustees and works with the Board as well as with the actuaries, the benefit consultants, the investment consultant and the investment managers. The MOSERS office has 48 employees and is divided into nine sections.

**Accounting** - This section is responsible for all financial records of the programs administered by MOSERS, including preparation of financial, statistical and investment reports. Accounting performs the purchasing functions for MOSERS, as well as interfaces with the investment consultant, investment managers, Office of Administration accounting, various payroll/personnel departments, accounting offices of health maintenance organizations (through December 1993), life insurance companies, actuaries, banks, and the IRS. The Chief Financial Officer is responsible for the accounting section.

**Member Services** - This section is divided into three units: Member Service Representatives, Membership Records, and the Insurance Team. Member Service Representatives are responsible for the administration of all aspects of the benefit program as it relates to members of the System, including conducting educational meetings throughout the State. Membership Records is responsible for establishing and maintaining all records of MOSERS membership, including files, preparation, and verification of data entered into the computerized data base. The Insurance Team verifies any out-of-balance conditions pertaining to monies expected for all insurance plans. They also generate and record all direct billing invoices. The Manager of Member Services is responsible for the benefits section.

**Data Processing** - Using an IBM AS 400 computer, this section provides all computer and technical design support for MOSERS programs. Data Processing is responsible for establishing and updating computer programs to implement plan changes. This section also maintains members folder information on an optical image system. All information is stored and processed using computer displayed images of the original documents. The Manager of Data Processing is responsible for this section.

**Staff Services** - This section is responsible for providing clerical support for all Missouri State Employees' Retirement System personnel. The Manager of Staff Services also acts as secretary to the Board of Trustees and coordinates all the Board activities and serves as MOSERS Personnel Officer. The Manager of Staff Services is responsible for this section.

**Investments** - The Investment Section is responsible for the oversight of the investment program of MOSERS. This section reports directly to the Executive Director.

**Chief Counsel** - MOSERS has one Chief Counsel who is responsible for the coordination and handling of legal and quasi-judicial work arising from the administration of laws governing the general operations of MOSERS and exercises a high order of professional judgment and discretion in preparing and presenting cases or in providing the Executive Director and Board of Trustees with advisory opinions regarding legal questions. The Chief Counsel also has the responsibility for the maintenance of professional and technical legal standards and may supervise less experienced legal and/or para-legal staff.

**Executive Assistant** - MOSERS has one Executive Assistant who assists the Executive Director in major operational functions of the retirement and related benefit programs, assists in the area of procurement of professional service contract arrangements, policy formulation and procedures development; review and monitoring of state and federal legislation and regulations, and general operational support.

**Communications** - MOSERS has one Communications Specialist who is responsible for developing and maintaining a formal communications program including writing, editing, and designing technical materials as well as generating graphic and photographic materials for the publications. The Communications Specialist reports to the Assistant Executive Director.

**Special Projects** - The Special Projects section has a total of two employees who report to the Assistant Executive Director. The Special Projects section is responsible for special projects and research.

Although each section performs different job responsibilities, all the employees of the Retirement System work together to better serve our members.



# Professional Services

## ACTUARY

Gabriel, Roeder, Smith & Co.  
Gary W. Findlay  
Southfield, Michigan

## AUDITORS

KPMG Peat Marwick LLP  
Certified Public Accountants  
Karyn Molnar  
Ted Flom  
St. Louis, Missouri

## LEGAL COUNSEL

Thompson & Mitchell  
Attorneys at Law  
Allen D. Allred  
Tom Litz  
St. Louis, Missouri

## INVESTMENT MANAGEMENT CONSULTANT

The Asset  
Consulting Group, Inc.  
Charles Holmes  
Steve Holmes  
St. Louis, Missouri

## VENTURE CAPITAL INVESTMENT ADVISOR

Brinson Partners, Inc.  
Bart Holaday  
T. Bondurant French  
Chicago, Illinois

## CUSTODIAN

Boatmen's Trust Company  
Lynne Zey  
Lyle Brizendine  
St. Louis, Missouri

## EQUITY INVESTMENT ADVISORS

General American Investment  
Management Company  
Douglas Koester  
Dan Lane  
St. Louis, Missouri

Wilshire Associates, Inc.  
Thomas D. Stevens  
Michael J. Napoli Jr.  
Santa Monica, California

Capital Guardian Trust  
Michael R. Erickson  
Los Angeles, California

Seneca, Inc.  
Thomas D. Stevens  
Sandi H. Sweeney  
Jeanette Carey  
Florham Park, New Jersey

Woodford Capital Management  
Peggy Woodford Forbes  
Nadia Gayed  
New York, New York

Chancellor Capital  
Management, Inc.  
Ellen Adams  
Russell Vernon  
Dominique Robergeau  
New York, New York

Independence  
Investment Associates  
Bill Kennedy  
Judith Gordon  
Boston, Massachusetts

Investment Advisors, Inc.  
Kip Knelman  
Suzanne Zak  
Minneapolis, Minnesota

## EQUITY INVESTMENT ADVISORS (CON'T)

Kennedy Capital Management  
Richard Sinise  
St. Louis, Missouri

Bankers Trust Company  
Global Investment Management  
Timothy E. Kane  
New York, New York

## FIXED INCOME INVESTMENT ADVISORS

Boatmen's Trust Company  
Frank J. Aten  
J.-J. Landers Carnal  
St. Louis, Missouri

Mississippi Valley Advisors, Inc.  
David Bethke  
St. Louis, Missouri

United Missouri Investment  
Counsel Service  
David B. Anderson  
Lou Dare  
Kansas City, Missouri

Franklin, Spitz & Peters  
Investment Advisors, Inc.  
Robert J. Franklin  
Kevin J. Spitz  
St. Louis, Missouri

Hoisington Investment  
Management Company  
Van R. Hoisington  
Janice Teague Green  
Austin, Texas

# Summary of Plan Provisions

The Missouri State Employees' Retirement System (MOSERS), established September 1, 1957, is governed by the statutes of the State of Missouri.

## PURPOSE

MOSERS provides retirement, survivor, disability, life insurance, and (medical benefits through December 31, 1993) to its members.

MOSERS administers retirement benefits for most State employees, including members of the Water Patrol, members of the General Assembly, and Elected State Officials. MOSERS is a non-profit entity which has the responsibility of administering the law in accordance with the expressed intent of the General Assembly and bears a fiduciary obligation to the State of Missouri, the taxpayers, and the State employees who are its beneficiaries.

This is a summary of the provisions of the Revised Statutes of Missouri (RSMo), as amended, that governed the programs which MOSERS administered during the period covered by this report. It does not amend or overrule any applicable statute or administrative rule and, in the event of a conflict, the applicable statute or rule would apply.

## ADMINISTRATION

The statutes provide that the administration of MOSERS be vested in an 11 member Board of Trustees. The Board is comprised of:

- Two members of the Senate, appointed by the President Pro Tem of the Senate
- Two members of the House, appointed by the Speaker of the House

- Two members appointed by the Governor
- Three members of the System, two active members elected by the active and vested members and one retiree, elected by the retired members
- The State Treasurer
- The Commissioner of Administration

The management of MOSERS is the responsibility of the Executive Director who is appointed by the Board and serves at its pleasure.

The Executive Director acts as advisor to the Board on all matters pertaining to the System and, with the approval of the Board, contracts for professional services and employs the remaining staff needed to operate the System.

## RETIREMENT

**Eligibility**

Members who work in a position normally requiring at least 1,000 hours of work a year and who are not simultaneously accumulating Creditable Service under another retirement program supported by State contributions (other than social security) are eligible and required to participate in the Retirement Plan.

**Unreduced Retirement Benefits**

A member may retire with full benefits when he/she attains:

<u>Age</u>	<u>Service</u>
55	30 years
60	15 years
65	5 years
65	4 years*

\*Must be retiring directly from active employment.



A member of the General Assembly may retire with full benefits when he/she attains:

<u>Age</u>	<u>Service</u>
55	5 biennial assemblies
60	3 biennial assemblies

Uniformed members of the Water Patrol may retire with full benefits when he/she attains:

<u>Age</u>	<u>Service</u>
55	10 years
55	4 years*

\*Must be retiring directly from active employment.

**Early Retirement**

Members of MOSERS may retire early with a reduced benefit at age 55 with 10 years of service. General Assembly members may retire early at age 55 with three biennial assemblies. Elected State Officials may retire early at age 55 with 10 years of service.

There are no early retirement provisions for uniformed members of the Water Patrol

**Benefit Formula**

The benefit formula for members of MOSERS is 1-1/2 percent of the average of the highest 36 consecutive months of salary times the years of Creditable Service.

General Assembly members receive:

- ◆ \$80 x number of biennial assemblies (3 or 4 biennial assemblies) or,
- ◆ \$105 x number of biennial assemblies (5 to 9 biennial assemblies) or,
- ◆ \$130 x number of biennial assemblies (10 or more).

Elected State Officials with less than 12 years of service as an elected official receive 1- 1/2 percent of the average of their highest three consecutive calendar years of salary

times years of Creditable Service. Those officials with 12 or more years of service receive 50 percent of the statutory salary paid to the current elected official in the highest position which the retiree previously held.

Uniformed members of the Water Patrol receive 1-1/2 percent of the average of their highest 36 consecutive months of salary times years of Creditable Service. That amount is then increased by 33-1/3 percent to determine their normal retirement annuity.

**Creditable Service**

Creditable Service is a combination of the Creditable Prior Service a member has accrued before becoming a member of MOSERS and the years and full months of Membership Service the member has as a member of MOSERS.

Creditable Service is used in determining the amount of the member's benefit under the System.

Vesting is based on service which is recognized in determining the member's eligibility for benefits under the System. A member is fully vested upon attainment of five years of service.

**Optional Forms of Payment**

Retirement benefits are paid according to the election made by the member just prior to retirement. Members may choose a life income annuity and receive a full benefit with no survivor option or the member may choose a 50 percent or 100 percent joint and survivor option. If one of the latter is chosen, the benefit is reduced and, upon the members' death, the survivor receives either 50 percent or 100 percent of the member's reduced benefit.

Members of the Department of Conservation, General Assembly, and Elected Officials automatically receive a 50 percent survivor benefit for service in those positions without an actuarial reduction in their benefit.

MOSERS members may also choose lifetime income with either 60 or 120 guaranteed monthly payments. If the member dies before receiving the payments, the beneficiary receives the remaining payments.



### Cost-of-Living Adjustments

Retired members receive annual cost-of-living adjustments (COLAs) equal to 80 percent of the previous year's change in the Consumer Price Index (CPI) with a minimum of four percent and maximum of five percent of the monthly benefit received the previous year.

Members may receive a cumulative maximum of 65 percent of their base benefit in cost-of-living adjustments.

### Survivor's Benefit

A 100 percent joint and survivor benefit, based on the member's accrued base benefit, will be paid to the eligible surviving spouse if the member is fully vested and dies prior to retirement.

With no eligible surviving spouse, the member's unemancipated minor children will receive 50 percent of the fully vested member's accrued base benefit.

### Contributions

MOSERS is a non-contributory plan, with the entire cost paid by the state of Missouri. The contribution rate paid by the State for fiscal year 1994 was 9.49 percent of the membership payroll.

## INSURANCE PLANS

### Long-Term Disability

Members of MOSERS in a position normally requiring 1,000 hours of work a year are covered under the Long-Term Disability Plan, unless they work for a State agency which has its own long-term disability plan. Eligible employees receive 60 percent of their compensation minus primary social security, Workers' Compensation, and employer-provided income. The benefit commences on the 181st day of disability or after sick leave expires, whichever occurs last. Long-term disability benefits cease when the disability ends, when retirement benefits begin, when the member returns to work, or upon the member's death.

### Life Insurance

#### *Basic Life Insurance*

Active employees covered under the MOSERS life insurance plan receive \$15,000 of Basic Life Insurance on the first of the month coinciding with or following the date of employment. The cost of Basic Life Insurance is paid by the State. Eligible members, who immediately retire from active employment, are provided \$5,000 of Basic Life Insurance by the State at no cost to the member. Retired members may convert up to \$10,000 to an individual policy with the insurance carrier at individual rates. Terminating employees may convert up to \$15,000 of Basic Life Insurance at individual rates.

#### *Optional Life Insurance*

Members working for an agency covered under MOSERS life insurance plan are eligible for Optional Life Insurance on the first of the month coinciding with or following their date of employment. Members are responsible for paying the entire cost of their Optional Life Insurance. The two options available are:

- ◆ Option A - Employee may elect 1, 2, or 3 times annual salary. The amount automatically increases or decreases each May 1 based on the preceding January salary.
- ◆ Option B - Employee may elect a flat amount not to exceed three times their annual salary.

Members who immediately retire from active employment after August 13, 1988, may continue up to \$10,000 of their Optional Life Insurance at the group rate and may convert their remaining Optional Life Insurance at individual rates. Terminating employees may convert an amount up to the amount they had as an active employee at individual rates.

### Medical Insurance

Responsibility for providing medical care coverage, along with existing assets and liabilities, were transferred to the Missouri Consolidated Health Care Plan (MCHCP)



effective January 1, 1994 and completed prior to the statutory deadline of June 30, 1994. Prior to January 1, 1994, the medical care plan described below was provided by MOSERS.

*Active Employees*

Members of MOSERS working for an agency covered by the Missouri State Medical Care Plan were eligible for medical care coverage on the first of the month following their date of employment. The annual deductible for an individual was \$300, and the deductible for family coverage was \$900.

The Medical Care Plan paid 80 percent of the usual, customary and reasonable (UCR) charges after the deductible was paid. The yearly out-of-pocket maximum was \$1,800 for an individual and \$3,900 for a family.

A maximum lifetime benefit of \$1,000,000 was provided to each eligible member of the Plan.

If a member used a provider enrolled in the Preferred Provider Organization (PPO), the plan paid 90 percent of the UCR charges instead of the regular 80 percent. Also, members were only responsible for a \$10 copayment for any office visit provided by a PPO physician.

Under federal law, COBRA, employees could choose to continue their medical coverage at termination of employment, unless eligible for Medicare or covered by another group health plan, but participants paid the entire cost. Effective June 14, 1989, terminated vested members could elect to continue medical coverage by paying the entire premium cost.

*Retired Employees*

Retiring employees could continue their medical care coverage if they had been covered under the Missouri State Medical Care Plan for two years prior to termination or since they were first eligible for medical coverage. Retirees 65 or older and retirees eligible for Medicare due to a disability were eligible for a supplemental medical care plan. The plan was coordinated with Medicare, and the deductible for the individual and family was the same as the deductible for active employees.

*HMO*

Employees working for an agency covered under the MOSERS Medical Care Plan who lived in a Health Maintenance Organization (HMO) service area were provided the opportunity to enroll in either an HMO or the MOSERS Medical Care Plan. HMO coverage was provided to employees living in the St. Louis and Kansas City areas. No annual deductible was charged, but copayments were required for some medical treatments. The types of coverage and the costs varied with each HMO. At the time of transfer of the medical operations to the Missouri Consolidated Health Care Plan, December 31, 1993, five HMOs were available to MOSERS members.

**JUDGES/ADMINISTRATIVE  
LAW JUDGES**

MOSERS also is responsible for the administration of the retirement, life insurance, disability, and (medical benefits through December 31, 1993), for judges of state courts and administrative law judges/legal advisors of the Division of Workers' Compensation. (Administrative law judges/legal advisors will hereafter be referred to as ALJs.) The benefits provided to judges and ALJs are funded separately. Judges' benefits are paid by the State on a "pay-as-you-go" basis, while the benefits for ALJs are funded by the State. The State contributed 24.18% of the ALJs payroll each month during fiscal year 1994.

**Normal Retirement**

Judges may retire at age 62 with 12 years of service or at age 60 with 15 years. The benefit is based on the years and months of Creditable Service the judge has and on the judge's salary.

ALJs are eligible for normal retirement when they reach at least age 65 or when they have reached age 60 and have 20 or more years of Creditable Service. The benefit is based on years and full months of service and on salary.



### Early Retirement

Judges with less than 15 years of services may elect retirement as early as age 60. Judges who retire between age 60 and 62 receive a benefit equal to the proportion of normal retirement benefits that the judges' service bears to 15 years.

There are no early retirement provisions for ALJs.

### Benefit Formula

Judges with 12 or more years of service receive a monthly benefit of one-half the salary of a judge in the highest court in which the judge served at the time the judge retires from office. Judges with less than 12 years of service receive a benefit that is calculated based on the proportion of normal retirement benefits that the judge's service bears to 12 years.

ALJs with 12 or more years of service receive a monthly benefit of one-half of their average monthly salary based on their highest annual salary.

ALJs with less than 12 years of service receive a benefit equal to the proportion of normal retirement benefits that their service bears to 12 years.

### Creditable Service

Creditable Service is a combination of the Creditable Prior Service accrued before becoming a member and the years and full months of service judges or ALJs have as a member of their respective retirement plans. Creditable Service is used in determining the amount of the benefit under each retirement plan.

### Cost-of-Living Adjustments

Judges and ALJs may apply to become special consultants, thus providing annual cost-of-living adjustments.

### Survivor Benefit

The survivor benefit of an active judge or ALJ equals 50 percent of the benefit accrued to age 70, unless the period of service could not have been 12 years by age 70, which results in a reduced benefit being paid. The survivor benefit of a terminated judge or ALJ with 12 or more years of service is 50 percent of the accrued benefit. The benefit to the survivor of a retired judge equals 50 percent of the monthly retirement benefit.

### Disability

Judges who become disabled receive one-half of their salary on the date of disability. This is a Constitutionally-provided disability benefit paid until his/her term expires. In addition, judges and ALJs receive the same Long-Term Disability coverage as the other members of MOSERS.

### Life Insurance

The Basic and Optional Life Insurance benefits provided to active judges and ALJs are the same as those provided to other members of MOSERS as described on page 19. Basic Life Insurance for retiring or terminating judges and ALJs ends on the date of termination of employment.

Retired judges and ALJs may convert Basic and Optional Life Insurance to an individual policy and pay the individual rate.

### Medical Insurance

The medical insurance coverage provided to judges and ALJs was the same coverage provided to members of MOSERS as described previously.



# Summary of Legislation Passed During the 1994 Legislative Session

## SENATE BILLS:

### SB 772 - Signed May 10, 1994

SB 772 deletes from the statutes the design restrictions for the MOSERS Long-Term Disability plan allowing the Board of Trustees the flexibility to design plan alternatives which can be administered externally or internally by the system. Passage of SB 772 allows the Board the flexibility to explore different benefit levels, qualification periods, minimum and maximum benefits, and qualification standards. SB 772 also allows members of the universities and colleges to accrue retirement credit while on disability, just as other state employees have for some time.

### SB 544 - Signed May 13, 1994

SB 544 repeals the statute calling for certain public retirement systems in Missouri to divest of investments in companies doing business in South Africa. In addition, the bill establishes a philosophy of promoting affirmative action to combat religious discrimination in the province of Northern Ireland. The State Treasurer will sponsor or support shareholder resolutions before financial institutions or corporations (in which the state has invested funds) to encourage a policy of affirmative action in Northern Ireland. The bill does not require the State Treasurer to dispose of existing investments or make future investments that violate sound investment policy.

## HOUSE BILLS:

### HB 1149 - Signed May 13, 1994

HB 1149 increases the retirement benefit formula and changes the age and service requirements for normal retirement for regular MOSERS members, as well as, members of the general assembly. HB 1149 became law effective August 28, 1994, however, specified provisions of the bill do not go into effect until January 1, 1995.

Below is a brief summary of the legislative changes effected by the passage of HB 1149. Unless otherwise stated, provisions are effective August 28, 1994.

- ◆ Increases the multiplier in the retirement formula from 1.5% to 1.6% for regular members and state-wide elected officials effective January 1, 1995.
- ◆ Allows members of MOSERS to retire with a normal retirement benefit when the sum of the member's age and creditable service equals eighty years or more and the member is at least 50 years of age. Unlike the previous one year "80 & Out" window, this provision is permanent.
- ◆ Establishes cost-of-living adjustments (COLAs) for individuals receiving survivor benefits and clarifies language regarding maximum accumulated survivor's COLA. COLAs will be between 4% and 5% based on the yearly increase in the Consumer Price Index. This provision is extended to survivors of judges and administrative law judges.

- ◆ Provides a “pop-up” provision for retired members and future retirees of MOSERS who elect a joint and survivor benefit. When a member chooses a survivor option for his/her spouse, the member receives a reduced monthly benefit for his/her lifetime. If the retired member’s spouse dies before the member, the reduced benefit the member is receiving will “pop-up” to the amount the member would have received if he/she had elected normal retirement.
- ◆ Increases the minimum retirement benefit formula for MOSERS from \$12 to \$15 for each year of creditable service. Also allows the use of the minimum benefit (\$15) in calculating benefits for survivors of members who die after January 1, 1995. This provision is effective January 1, 1995.
- ◆ Provides specified limits within which MOSERS retirement benefits may be divided in a dissolution of marriage.
- ◆ Adds language in accordance with the Internal Revenue Code (IRC) section 401 (a) (17) which stipulates that compensation in excess of the IRC limit of \$150,000 (indexed) shall be disregarded when calculating a benefit.
- ◆ Prohibits retirement benefits that exceed the limits set by Section 415 of the IRC.
- ◆ Removes language passed in SB 126 that permits surviving spouses to purchase the member’s military service credit.
- ◆ Makes attorneys/legal counsels of the Labor and Industrial Relations’ Commission eligible for retirement benefits under the administrative law judges system. Also, allows attorneys/legal counsels of the Labor and Industrial Relations’ Commission who do not have 12 years as an administrative law judge to transfer certain service to the Administrative Law Judge system.
- ◆ Allows administrative law judges to retire with a normal retirement benefit at age 55 with 20 years of service.
- ◆ Allows a senior judge who attains 12 years of service during a 235-day period of service to be credited the service and have his/her retirement benefit adjusted at the time the pro rata portion is certified.
- ◆ Increases retirement benefits for members of the general assembly who have served three or more biennial assemblies to \$150 per assembly. This benefit also applies to retired general assembly members who serve as special consultants to the system. This provision is effective January 1, 1995.
- ◆ Allows members of the general assembly to retire at 55 with three biennial assemblies with a normal annuity. This provision is effective January 1, 1995.







*Financial  
Section*



# Independent Auditors' Report



Peat Marwick LLP

Certified Public Accountants

1010 Market Street  
St. Louis, MO 63101-2085

## Independent Auditors' Report

The Board of Trustees  
Missouri State Employees' Retirement System:

We have audited the financial statements of the Missouri State Employees' Retirement System as of and for the year ended June 30, 1994, as listed in the accompanying table of contents. These financial statements are the responsibility of the Retirement System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Missouri State Employees' Retirement System, as of June 30, 1994, and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information on pages 38 through 42 is not a required part of the basic financial statements of the Missouri State Employees' Retirement System, but is required by the Governmental Accounting Standards Board. The combining and individual fund financial statements and supplementary information included in pages 43 through 51 are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Missouri State Employees' Retirement System. Such information, included on pages 38 through 51, except for that portion marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

September 13, 1994



Member Firm of  
Klynveld Peat Marwick Goerdeler

*KPMG Peat Marwick LLP*

# Missouri State Employees' Retirement System

## Combined Balance Sheet - All Fund Types

June 30, 1994

	Fiduciary Fund Type Pension Trusts	Proprietary Fund Type Internal Service	Total (Memorandum Only)
<b>ASSETS</b>			
Cash	\$ 13,506,449	\$ 0	\$ 13,506,449
Contributions receivable	9,794,673	672,134	10,466,807
Accrued interest and dividends	18,504,856	3,499	18,508,355
Accounts receivable - securities sold	292,201,693	0	292,201,693
Accounts receivable - other	27,791	14,647	42,438
Investments; at cost	2,970,994,363	1,366,944	2,972,361,307
Office building, equipment and fixtures net of accumulated depreciation	1,915,110	0	1,915,110
Total assets	\$ 3,306,944,935	\$ 2,057,224	\$3,309,002,159
<b>LIABILITIES AND FUND EQUITY</b>			
<i>Liabilities:</i>			
Accounts payable - securities purchased	\$ 289,087,563	\$ 0	\$ 289,087,563
Collateral for securities on loan	558,973,440	0	558,973,440
Premiums payable	0	1,225,957	1,225,957
Checks outstanding net of deposits	0	1,328	1,328
Other	1,625,305	27,860	1,653,165
Total liabilities	849,686,308	1,255,145	850,941,453
<i>Fund Equity:</i>			
Fund balances:			
Reserved for employees' retirement benefits:			
Member contributions - MOSERS	448,559	0	448,559
State contributions - MOSERS (unfunded actuarial liability \$ 494,321,921)	2,450,517,450	0	2,450,517,450
State contributions - ALJRS (unfunded actuarial liability \$ 2,537,508)	6,292,618	0	6,292,618
Retained earnings:			
Basic life contributions in excess of funding requirements	0	802,079	802,079
Total fund equity	2,457,258,627	802,079	2,458,060,706
Total liabilities and fund equity	\$ 3,306,944,935	\$ 2,057,224	\$ 3,309,002,159

See accompanying Notes to the Financial Statements.



**Missouri State Employees' Retirement System**  
**Combined Statement of Revenues, Expenses, and**  
**Changes in Fund Balances/Retained Earnings - All Fund Types**  
Year Ended June 30, 1994

	Fiduciary Fund Type Pension Trusts	Proprietary Fund Type Internal Service	Total (Memorandum Only)
<b>OPERATING REVENUES</b>			
State contributions	\$ 107,261,881	\$ 37,918,127	\$ 145,180,008
Member contributions	0	11,513,810	11,513,810
Insured plans premium receipts	0	18,436,345	18,436,345
State contributions basic life plan	0	2,520,938	2,520,938
Service credit purchases	765,977	0	765,977
State reimbursements	8,205,509	0	8,205,509
Investment income	202,214,651	0	202,214,651
Miscellaneous income	412,525	359,176	771,701
Total operating revenues	318,860,543	70,748,396	389,608,939
<b>OPERATING EXPENSES</b>			
Retirement benefits	88,614,479	0	88,614,479
Disability benefits	436,022	0	436,022
Survivors' benefits	4,202,875	0	4,202,875
Contribution refunds	1,598	0	1,598
Service credit transfers	16,252	0	16,252
Medical claims	0	23,005,156	23,005,156
Basic life premium disbursements	0	2,519,343	2,519,343
Insured plans premium disbursements	0	18,375,243	18,375,243
Premium refunds	0	152,962	152,962
Administrative	7,131,695	3,336,388	10,468,083
Total operating expenses	100,402,921	47,389,092	147,792,013
Operating revenues over operating expenses	218,457,622	23,359,304	241,816,926
<b>NON-OPERATING REVENUE</b>			
Investment income	0	384,795	384,795
Net revenues over expenses	218,457,622	23,744,099	242,201,721
Fund balance/retained earnings (deficit) July 1, 1993	2,238,801,005	(14,071,161)	2,224,729,844
Equity transfer	0	(8,870,859)	(8,870,859)
Fund balance/retained earnings June 30, 1994	\$ 2,457,258,627	\$ 802,079	\$ 2,458,060,706

See accompanying Notes to the Financial Statements.

# Missouri State Employees' Retirement System

## Statement of Cash Flows - Proprietary Fund

Year Ended June 30, 1994

### CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from employer and members	\$ 73,493,275
Other miscellaneous income	350,264
Cash payments for medical claims	(43,406,655)
Premium payments to outside carriers	(22,421,623)
Refunds of premiums to members	(152,962)
Cash payments to employees for services	(1,344,504)
Cash payments to other suppliers of goods and services	(3,539,855)
Net cash provided by operating activities	<u>2,977,940</u>

### CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Implicit funding of checks outstanding net of deposits	1,328
Implicit repayment of prior years checks outstanding net of deposits	(3,854,662)
Equity transfer to Missouri Consolidated Health Care Plan	(7,296,167)
Net cash used by noncapital financing activities	<u>(11,149,501)</u>

### CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Purchase of fixed assets	(525,211)
Net cash used by capital and related financing activities	<u>(525,211)</u>

### CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investment securities	(189,831,765)
Proceeds from sale and maturities of investment securities	198,108,818
Cash received from investment income	419,719
Net cash provided by investing activities	<u>8,696,772</u>
Net change in cash	<u>0</u>
Cash balances July 1, 1993	<u>0</u>
Cash balances June 30, 1994	<u>\$ 0</u>

### RECONCILIATION OF OPERATING REVENUES OVER EXPENSES TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating revenues over expenses	\$ 23,359,304
Adjustments to reconcile operating revenues over expenses to net cash provided by operating activities:	
Change in assets and liabilities:	
Decrease in operational accounts receivable	4,793,311
Decrease in operational accounts payable	(25,174,675)
Total adjustments	(20,381,364)
Net cash provided by operating activities	<u>\$ 2,977,940</u>

### NONCASH FINANCING ACTIVITIES:

On January 1, 1994, the Missouri State Medical Care Plan transferred equipment and fixtures of \$1,845,537 with accumulated depreciation of \$270,844, (a net value of \$1,574,693) to the Missouri Consolidated Health Care Plan.

See accompanying Notes to the Financial Statements.



# Missouri State Employees' Retirement System

## Notes to the Financial Statements

Year Ended June 30, 1994

### (1) Plan Descriptions

#### MOSERS

The Missouri State Employees' Retirement System (MOSERS), the system, is a single-employer, public employee retirement system administered in accordance with Sections 104.010 and 104.320 to 104.800 of the Revised Statutes of Missouri. As established under Section 104.320, RSMo, "The Missouri State Employees' Retirement System shall be a body corporate and an instrumentality of the state. In the System shall be vested the powers and duties specified in Sections 104.010 and 104.320 to 104.800 and such other powers as may be necessary or proper to enable it, its officers, employees and agents to carry out fully and effectively all the purposes of Sections 104.010 and 104.320 to 104.800."

Responsibility for the operation and administration of the System is vested in the MOSERS Board of Trustees. Due to the nature of MOSERS' reliance on the funding from the State of Missouri and the overall control of policies by State officials on the Board of Trustees, MOSERS is considered a part of the State of Missouri financial reporting entity and is included in the State's financial reports as a pension trust fund.

Substantially all full-time State employees who are not covered under another State-sponsored retirement plan are eligible for membership in MOSERS. On June 30, 1994, membership consisted of the following:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	23,094
Current employees - Vested	31,172
Current employees - Non-vested	<u>18,264</u>
Total membership	<u>72,530</u>

MOSERS provides retirement, death and disability benefits to its members. Benefits for general State employees are fully vested after 5 years of creditable service (4 years for elected officials and 6 years for legislators). Employees may retire at or after age 55 and receive a reduced benefit (or full benefits if they have 30 years or more of service.)

The State of Missouri is required to make all contributions to the System. Prior to September 1, 1972, contributions by members were required. Accumulated employee contributions made prior to that time, plus interest, are refundable to the member or designated beneficiaries.

#### ALJRS

The Administrative Law Judges' Retirement System (ALJRS) is a single-employer, public employee retirement system administered in accordance with Sections 287.812 to 287.855, RSMo. Responsibility for the operation and administration of the System is vested in the MOSERS Board of Trustees. Due to the nature of MOSERS' reliance on the funding from the State of Missouri and the overall control of policies by State officials on the Board of Trustees, the Administrative Law Judges' Retirement System is considered a part of the State of Missouri financial reporting entity and is included in the State's financial reports as a pension trust fund.



Individuals appointed or employed as Administrative Law Judges or Legal Advisors of the Division of Workers' Compensation are eligible for membership in ALJRS.

ALJRS provides retirement, death and disability benefits to its members. Employees who retire on or after age 65 with 12 or more years of creditable service are eligible for a monthly retirement benefit equal to one-half of the highest salary received during the period of service. Employees with less than 12 years of service are eligible for a reduced benefit upon retirement. The State of Missouri is required to make all contributions to the System. On June 30, 1994, membership consisted of the following:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	28
Current employees - Vested	36
Current employees - Non-vested	<u>0</u>
Total membership	<u><u>64</u></u>

**Judicial Retirement Plan**

The Judicial Retirement Plan provides retirement, death and disability benefits to those serving as judges in the State of Missouri. Retirement benefits for members of the judiciary are administered and paid by MOSERS. Amounts paid are reimbursed monthly from appropriations of State funds and are not obligations of MOSERS.

Supreme Court judges who are at least age 65 with eight or more years of creditable service in that capacity (or age 60 with 12 years of creditable service) are eligible for retirement benefits equal to one-half of the salary provided by law at the time of retirement. Other judges are eligible for retirement benefits at age 62 with 12 years of creditable service equal to one-half of the salary paid to the judge in the highest court served. On June 30, 1994, membership consisted of the following:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	365
Current employees - Vested	354
Current employees - Non-vested	<u>0</u>
Total membership	<u><u>719</u></u>

**Missouri State Insurance Plan**

The Missouri State Insurance Plan is an internal service fund of the State of Missouri administered by MOSERS. It provided medical insurance for eligible members of the Missouri State Employees' Retirement System (except employees of the Department of Conservation, the Division of Employment Security, Highway Department, Highway Patrol, and State Colleges and Universities), members of the Judicial Retirement Plan, legislators, statewide elected officials, and certain members of the Public School Retirement System; Basic Life insurance for active employees of the aforementioned groups; and Optional Life insurance for active employees and retirees. Beginning January 1, 1986, eligible members were covered by the Long-Term Disability Plan. On January 1, 1994 the medical insurance operations were transferred to the Missouri Consolidated Health Care Plan and MOSERS retained the Basic Life, Optional Life and Long-Term Disability Plans. Due to the nature of MOSERS' reliance on the funding from the State of Missouri and the overall control of policies by State officials on the Board of Trustees, the Missouri State Insurance Plan is considered a part of the State of Missouri financial reporting entity and is included in the State's financial reports as an internal service fund.



(2) Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

The financial statements of the MOSERS, ALJRS, and Missouri State Insurance Plan were prepared using the accrual basis of accounting. Employer and employee contributions are recognized as revenues in the period in which employee services are performed and expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. The direct method of reporting cash flows is used.

Cash

Cash balances represent both operating cash accounts held by the banks and investment cash on deposit with the investment custodian. To maximize investment income, the float caused by outstanding checks is invested, thus causing a possible negative book balance. The negative book balance has been reflected in the liabilities section of the balance sheet. The following is a schedule of the aggregate book and bank balances of all cash accounts. All deposits are fully insured by the FDIC. In addition to the FDIC insurance coverage on the accounts of MOSERS, the following securities were pledged to MOSERS by the bank at June 30, 1994:

- \$1,000,000 Federal Home Loan Discount Note Maturity Date 9/12/94
- \$1,075,000 Federal National Mortgage Association 5.4% Maturity Date 5/25/98
- \$250,000 Federal Home Loan Discount Note Maturity Date 7/6/94

Cash Balances

Pension Trust Funds		Internal Service Fund	
Book	Bank	Book	Bank
\$13,506,449	\$17,647,631	\$(1,328)	\$594

Total Memorandum Only Columns

Total columns on the combined Statements are captioned "(Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations in conformity with generally accepted accounting principles. Such data is not comparable to a consolidation since interfund eliminations have not been made.

Method Used to Value Investments

Investments are carried at cost subject to adjustment for significant market declines judged to be other than temporary. The cost of investments sold are determined using the average cost of that security. Bond premium and discount are not amortized and are recognized only upon sale or maturity of the related bonds. Amortization of bond premium and discount would not significantly affect total investment income. Dividend income is recognized based on dividends declared. Securities transactions are accounted for on the trade date securities are purchased or sold. Net realized gains and losses on investments are included in investment income. Gains and losses on exchanges of fixed-income securities are recognized on a completed transaction basis. In reference to the real estate investments, it is managements intent not to sell any real estate holding at a substantial loss. The following is a summary of the cost and market values of the investments as reported on the combined balance sheet.

# Investments

## June 30, 1994

	<u>Pension Trust Funds</u>		<u>Internal Service Fund</u>		<u>Total (Memorandum Only)</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
CATEGORY 1 CLASSIFICATION						
Common Stocks	\$1,060,838,718	\$1,078,020,322	\$ 0	\$ 0	\$1,060,838,718	\$1,078,020,322
Preferred Stocks	808,712	704,025	0	0	808,712	704,025
Treasury bonds, notes and bills	653,824,410	621,069,198	0	0	653,824,410	621,069,198
Government bonds	199,591,026	191,448,109	0	0	199,591,026	191,448,109
Corporate bonds	216,175,374	211,599,454	0	0	216,175,374	211,599,454
Repurchase agreements	5,319,921	5,319,921	552,113	552,113	5,872,034	5,872,034
Subtotal	2,136,558,161	2,108,161,029	552,113	552,113	2,137,110,274	2,108,713,142
NOT SUBJECT TO CLASSIFICATION						
Short-term investment fund	666,857,555	666,857,555	814,831	814,831	667,672,386	667,672,386
Collateralized mortgage obligations	3,265,767	3,221,211	0	0	3,265,767	3,221,211
Guaranteed investment contracts	21,499,999	21,500,000	0	0	21,499,999	21,500,000
Real estate loans and mortgages	18,143,768	19,823,562	0	0	18,143,768	19,823,562
Real estate equity holdings	78,769,813	56,147,112	0	0	78,769,813	56,147,112
Closed-end real estate fund	9,472,315	7,057,527	0	0	9,472,315	7,057,527
REITs	7,158,385	6,993,913	0	0	7,158,385	6,993,913
Venture capital limited partnerships	28,294,291	26,390,584	0	0	28,294,291	26,390,584
FHA mortgages	974,309	923,510	0	0	974,309	923,510
Subtotal	834,436,202	808,914,974	814,831	814,831	835,251,033	809,729,805
Total	\$2,970,994,363	\$2,917,076,003	\$1,366,944	\$1,366,944	\$2,972,361,307	\$2,918,442,947

### Categories of Asset Risks

All investments are governed primarily by an investment authority known as the "prudent person rule." The "prudent person rule," as set forth by State statute, establishes a standard for all fiduciaries, which includes anyone who has authority with respect to the funds. The Governmental Accounting Standards Board Statement Number 3 requires disclosure of investment securities within the following three categories of credit risk. **Category 1** includes investments that are insured or registered or which are held by the System or its agent in the System's name. **Category 2** includes uninsured and unregistered investments which are held by the counterparty's trust departments or agent in the System's name. **Category 3** includes uninsured and unregistered investments which are held by the counterparty, its trust department, or agent, but not in the System's name.

A security, for purposes of classification in the above categories, is a transferable financial instrument that evidences ownership or creditorship. "Securities" do not include investments made with another party, real estate or direct investments in mortgages and other loans. Investments in open-end mutual funds, pools managed by other governments, annuity contracts and guaranteed investment contracts are also not considered securities for purposes of credit risk classification. Such investments are shown above as "Not Subject To Classification."



### Collateral for Securities on Loan

The pension trust funds participate in a securities lending program administered by Boatmen's Trust Company (the Custodian). Certain securities of the pension trust funds are loaned to participating brokers. Brokers who borrow the securities provide collateral, usually in the form of cash, valued at 102% of the market value of the securities on loan. Investment income and losses on securities loaned are recognized by the pension trust funds. The collateral is invested on behalf of the pension trust funds and the investment income from the invested collateral is shared 60/40 between the pension trust funds and the Custodian, representing their compensation for operating the program. The Custodian provides for full indemnification to the pension trust funds for any losses that might occur in the program due to the failure of a broker to return a security that was borrowed.

### Office Building, Equipment, and Fixtures

Office building, equipment, and fixtures are capitalized at cost when acquired. Improvements which increase the useful life of the property are capitalized. Maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets according to the following schedule:

5 years for furniture, fixtures, equipment  
40 years for building

The following represents the components of the amount reported on the combined balance sheet as of June 30, 1994:

<u>Pension Trusts</u>		
Land		\$ 71,000
Building, equipment and fixtures	\$2,792,335	
Less accumulated depreciation	<u>948,225</u>	<u>1,844,110</u>
		<u>\$ 1,915,110</u>

### (3) Funding Status and Progress

The "Pension Benefit Obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the System's funding status on a going concern basis, assess progress being made in accumulating sufficient assets to pay benefits when due, and allow for comparisons with other public employees' retirement systems. The measure is independent of the actuarial funding method used to determine contributions to the plans.

The Pension Benefit Obligation was determined as part of an actuarial valuation of the System as of June 30, 1994. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8.5% per year compounded annually, (b) projected salary increases of 5.0% per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from .7% to 3.7% per year, depending on age, attributable to seniority and/or merit, and (d) the assumption that benefits will increase 4.5% per year after retirement.

## MOSERS

(thousands)

### *Pension Benefit Obligation*

Retirees and beneficiaries currently receiving benefits	\$ 819,097
Terminated employees not yet receiving benefits	114,179
<i>Current Employees:</i>	
Accumulated employee contributions including allocated investment income	449
Employer financed - vested	1,203,618
Employer financed - nonvested	48,816
Total pension benefit obligation	<u>2,186,159</u>
Net assets available for benefits, at cost (market value \$2,397,183)	2,450,966
Assets in excess of pension benefit obligation	<u><u>\$ 264,807</u></u>

During the year ended June 30, 1994, the MOSERS plan experienced a net increase of 105,942 thousand dollars in the Pension Benefit Obligation. There were no changes in the actuarial assumptions or benefit provisions.

## ALJRS

(thousands)

### *Pension Benefit Obligation*

Retirees and beneficiaries currently receiving benefits	\$ 5,865
Terminated employees not yet receiving benefits	485
<i>Current Employees:</i>	
Accumulated employee contributions including allocated investment income	0
Employer financed - vested	1,940
Employer financed - nonvested	0
Total pension benefit obligation	<u>8,290</u>
Net assets available for benefits, at cost (market value \$6,157)	6,293
Unfunded pension benefit obligation	<u><u>\$ 1,997</u></u>

During the year ended June 30, 1994, the ALJRS plan experienced a net increase of 477 thousand dollars in the Pension Benefit Obligation. There were no changes in the actuarial assumptions or benefit provisions.



4) Funding Policy

MOSERS and ALJRS are pension plans covering substantially all State of Missouri employees and administrative law judges and legal advisors of the Division of Workers' Compensation. The State of Missouri is obligated by State law to make all required contributions to the plans. The required contributions are expressed as a level percentage of covered payroll and are actuarially determined using an individual entry-age actuarial cost method. The prior service costs are amortized over 27 years for the MOSERS plan and 30 years for the ALJRS plan. Significant actuarial assumptions used to compute actuarially determined contribution requirements are the same as those used to compute the Pension Benefit Obligation. Contributions, excluding contributions for service transfers, were made in accordance with actuarially determined requirements as shown in the following tables. Since covered payroll is an annualized June 30 payroll figure and contributions are received monthly on actual payrolls paid, small differences exist between required contributions and contributions made.

MOSERS Contributions  
Fiscal Year 1994

<u>Required Contributions</u>		<u>Covered Payroll</u>	
	<u>Amount</u>	<u>Percentage</u>	
Normal cost	\$ 88,414,154	7.86%	
Unfunded actuarial accrued liability	18,335,251	1.63	
Total	<u>\$ 106,749,405</u>	<u>9.49%</u>	
<u>Contributions Made</u>			
	<u>Amount</u>	<u>Percentage</u>	
	<u>\$ 106,681,308</u>	<u>9.48%</u>	

ALJRS Contributions  
Fiscal Year 1994

<u>Required Contributions</u>		<u>Covered Payroll</u>	
	<u>Amount</u>	<u>Percentage</u>	
Normal cost	\$ 366,042	17.48%	
Unfunded actuarial accrued liability	140,302	6.70	
Total	<u>\$ 506,344</u>	<u>24.18%</u>	
<u>Contributions Made</u>			
	<u>Amount</u>	<u>Percentage</u>	
	<u>\$ 502,019</u>	<u>23.97%</u>	

Historical trend information on the funding of the pension plans can be found in the Required Supplementary Information on pages 38-42.

## Equity Transfer to Missouri Consolidated Health Care Plan

Legislation enacted during fiscal year 1992 established the Missouri Consolidated Health Care Plan, a new entity of the State of Missouri, which is responsible for providing the medical benefits of State employees and employees of other political subdivisions, governmental entities and instrumentalities of the State that elect to participate and are accepted by the Board. The new entity, governed by a separate Board of Trustees became operational on January 1, 1994. As of June 30, 1994, the assets and liabilities related to the medical insurance plan were transferred to the Missouri Consolidated Health Care Plan.

Prior to the transfer, the Missouri State Medical Plan was funded through both employer and employee contributions. Employer contribution rates were included in the State of Missouri's appropriations as a fixed dollar amount per month per eligible employee. Employee contribution rates were established by the Board of Trustees based on projected claims experience and funding provided by employer contributions. State statutes provided that the employer contributions were to be used to provide for the employees' medical costs (and their dependents if appropriations were provided). Contributions totaling \$49,431,937 were made to the Plan during the year ended June 30, 1994, in accordance with these requirements.

## (5) Other Post Employment Benefits (OPEB)

In addition to the retirement benefits provided through MOSERS, the State of Missouri also funds, either partially or in its entirety, OPEB for eligible retirees as follows:

### Retiree Life Insurance

Retirees who retired on or after October 1, 1984, are eligible for \$5,000 of State-sponsored life insurance coverage if they retire directly from active employment. As of June 30, 1994, 4,564 retirees were eligible and participating in the program. The coverage is financed on a pay-as-you-go basis and is purchased as a group policy through competitive bids at a current cost of \$10.35 per month per eligible participant (\$514,582 for the year ended June 30, 1994). Premiums are paid entirely by the State as provided for by Section 104.515 of the Missouri Statutes.

### Retiree Medical Insurance

The retiree medical insurance coverage was transferred to the Missouri Consolidated Health Care Plan on January 1, 1994. For the first six months of the fiscal year ended June 30, 1994 the State contributed \$9 per month per eligible participant totaling \$240,867.

## (6) Plan Termination

MOSERS and its related plans are administered in accordance with Missouri Statutes. The statutes do not provide for termination of the plans under any circumstances.



(7) Contingencies

Real Estate

Included in MOSERS real estate investments is a property located in Saint Louis, Missouri which has been found to have hazardous substance contamination. In accordance with the requirements in the United States Environmental Protection Agency's National Contingency Plan, MOSERS is currently in the process of having surface and sub-surface soil and ground water testing performed in order to delineate the scope and magnitude of the contamination and determine what appropriate remedial action is needed. Based on the available information, the System's management feels it is not reasonably possible to predict the amount of additional expense MOSERS may incur, or to predict the outcome of any possible cost recovery actions it may take against other parties. Accordingly, no provision has been made in the accompanying financial statements for this matter.

(8) Required Supplementary Information

Ten-year historical trend information designed to provide information about MOSERS and its related plans' progress made in accumulating sufficient assets to pay benefits when due is presented on pages 38-42 as Required Supplementary Information. Certain required information is not available for the full ten years, and is noted as such.

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and ratios that use the pension benefit obligation as a factor.

Looking at the pension benefit obligation, or the unfunded portion (or the assets in excess) of the pension benefit obligation, in isolation can be misleading. Expressing net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the extent to which a public employees' retirement system (PERS) is funded. Analysis of this percentage over time indicates whether the PERS is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the PERS. Expressing the unfunded pension benefit obligation (or assets in excess of the pension benefit obligation) as a percentage of the annual covered payroll approximately adjusts for the effects of inflation and aids analysis of funding progress. Generally, the smaller the unfunded percentage, the stronger the PERS.

The following is a list of significant changes which have occurred during the ten years presented, and should be considered when reviewing the data.

1984 - The actuarial valuation performed to determine the required contribution rate for fiscal year 1986 had the following significant changes:

	<u>Amount</u>	<u>% of Payroll</u>
Increase due to benefit changes	\$ 7,550,582	1.4%

1986 - The actuarial valuation performed to determine the required contribution rate for fiscal year 1988 had the following significant changes:

	<u>Amount</u>	<u>% of Payroll</u>
Funding of previously "pay-as-you-go" benefits	\$ 9,610,413	1.46%
Raising the cap on cost-of-living adjustments from 50% to 65% of the initial benefit	3,869,725	.63
Providing normal retirement at age 55 with 30 years of service	1,267,139	.20

1988 - Legislation enacted setting the retirement contribution rate at 9.9% for fiscal years 1990 through 1993 unless total revenues (excluding unrealized appreciation of investments) is less than 375% of total expenses in any one year. The Board of Trustees voted to adopt the 9.9% beginning with fiscal year 1989. During 1988, MOSERS received approximately 2,700 members transferring from the Public School Retirement System and approximately 540 members transferring from the Lincoln University Employee Retirement System.

1989 - MOSERS total revenues were less than 375% of total expenses for the fiscal year ended June 30, 1989. The Board of Trustees voted to keep the retirement contribution rate set at 9.9% through fiscal year 1993. During 1989, approximately 120 members transferred from the Public School Retirement System to MOSERS.

1990 - The Board of Trustees approved a change in the actuarial rate of return assumption from 8% to 8.5% beginning with the valuation as of June 30, 1990.

<b>MOSERS</b>	<u>Amount</u>	<u>% of Payroll</u>
Change in assumptions	\$(16,205,924)	(1.63)%
Other experience and nonrecurring items	(2,883,263)	(.29)
<b>ALJRS</b>		
Change in assumptions	(42,277)	(2.21)
Other experience and nonrecurring items	21,234	1.11

1991 - The actuarial valuation as of June 30, 1991, reflected the following changes to the computed contribution rates for fiscal year 1993.

<b>MOSERS</b>	<u>Amount</u>	<u>% of Payroll</u>
Change in benefits	\$ 719,403	.07%
Other experience and nonrecurring items	(411,088)	(.04)
<b>ALJRS</b>		
Other experience and nonrecurring items	43,849	2.26

1992 - The actuarial valuation as of June 30, 1992, reflected the following changes to the computed contribution rates for fiscal year 1994.

<b>MOSERS</b>	<u>Amount</u>	<u>% of Payroll</u>
Change in benefits and assumptions	\$ (4,017,939)	(.39)%
Other experience and nonrecurring items	2,060,482	.20
<b>ALJRS</b>		
Change in assumptions	(23,293)	(1.35)
Other experience and nonrecurring items	(38,649)	(2.24)



## Required Supplementary Information

Ten Years Ended June 30, 1994

### MOSERS Valuation

(Dollars in Thousands)

Valuation Date	Pension Benefit Obligation (PBO)	Net Assets at Cost	Assets as a % of PBO	Unfunded (Assets in Excess of) Pension Benefit Obligation (UFPBO)	Active Member Payroll	UFPBO as a % of Active Member Payroll
June 30, 1994	\$ 2,186,159	\$ 2,450,966	112.1%	\$ (264,807)	\$1,124,862	(23.5)%
June 30, 1993	2,080,217	2,232,946	107.3	(152,729)	1,063,247	(14.4)
June 30, 1992	1,928,805	1,941,016	100.6	(12,211)	1,030,241	(1.2)
June 30, 1991	1,738,409	1,735,463	99.8	2,946	1,027,719	0.3
June 30, 1990	1,566,317	1,568,849	100.2	(2,532)	994,228	(0.3)
June 30, 1989	1,510,976	1,370,144	90.7	140,832	895,170	15.7
June 30, 1988	1,266,733	1,214,006	95.8	52,727	824,486	6.4
June 30, 1987	982,736	1,053,361	107.2	(70,625)	692,363	(10.2)

Information prior to June 30, 1987 not available.

### ALJRS Valuation

(Dollars in Thousands)

Valuation Date	Pension Benefit Obligation (PBO)	Net Assets at Cost	Assets as a % of PBO	Unfunded Pension Benefit Obligation (UFPBO)	Active Member Payroll	UFPBO as a % of Active Member Payroll
June 30, 1994	\$ 8,290	\$ 6,293	75.9%	\$ 1,997	\$ 2,094	95.4%
June 30, 1993	7,813	5,855	74.9	1,958	1,931	101.4
June 30, 1992	7,176	5,117	71.3	2,059	1,725	119.4
June 30, 1991	6,940	4,567	65.8	2,373	1,940	122.3
June 30, 1990	6,105	4,055	66.4	2,050	1,913	107.2
June 30, 1989	6,223	3,243	52.1	2,980	1,870	159.4
June 30, 1988	5,211	2,632	50.5	2,579	1,408	183.2
June 30, 1987	4,086	2,278	55.8	1,808	1,418	127.5

Information prior to June 30, 1987 not available.

## Required Supplementary Information

Ten Years Ended June 30, 1994

### MOSERS Revenues By Source

Fiscal Year	Employer Contribution Rate	Employer Contributions as a % of Covered Payroll	Employer Contribution Amount	Employer Contributions Service Transfers	Member Payments for Purchasing Service Credit	State Reimbursements for Nonfunded Benefits	Investment Income	Other	Total
1994	9.4900%	9.4839%	\$ 106,681,308	\$ 78,554	\$ 765,977	\$ 8,205,509	\$ 201,696,814	\$ 411,469	\$ 317,839,631
1993	9.6800	9.6862	102,988,219	117,466	547,961	7,728,160	271,512,528	6,047	382,900,381
1992	9.6500	9.7717	100,672,145	112,988	321,713	7,335,579	181,155,983	6,560	289,604,968
1991	9.9000	10.0081	102,854,950	8,459,034	446,286	6,572,690	123,538,791	9,569	241,881,320
1990	9.9000	9.8706	98,135,838	770,697	715,433	5,838,700	161,877,087	204,872	267,542,627
1989	9.9000	9.9620	89,177,022	4,274,011	376,701	5,549,696	117,968,268	20,901	217,366,599
1988	12.1031	11.6936	96,412,071	52,223,619	596,649	9,084,452	52,057,522	26,469	210,400,782
1987	10.0000	10.3947	71,969,009	0	143,670	15,238,962	185,051,476	(43,198)	272,359,919
1986	11.3328	11.1945	71,972,655	0	0	11,059,943	129,568,053	(10,051)	212,590,600
1985	10.5167	10.5068	58,295,102	0	0	9,845,857	70,642,944	(802,437)	137,981,466

### MOSERS Expenses By Type

Fiscal Year	Benefits	Contribution Refunds	Service Transfers	Administrative	Total
1994	\$ 92,688,294	\$ 1,598	\$ 16,252	\$ 7,113,433	\$ 99,819,577
1993	83,334,969	22,007	0	7,613,690	90,970,666
1992	75,186,237	12,508	0	8,853,265	84,052,010
1991	67,369,539	19,297	0	7,878,127	75,266,963
1990	60,559,008	11,169	0	8,267,790	68,837,967
1989	53,711,546	4,298	0	7,512,434	61,228,278
1988	43,431,100	25,889	0	6,299,182	49,756,171
1987	37,881,039	43,549	0	7,059,516	44,984,104
1986	30,832,582	473,921	0	5,584,410	36,890,913
1985	27,093,057	82,333	0	3,365,898	30,541,288



## Required Supplementary Information

Ten Years Ended June 30, 1994

### ALJRS Revenues By Source

Fiscal Year	Employer Contribution Rate	Employer Contributions as a % of Covered Payroll	Employer Contribution Amount	Funds Transfer from MOSERS	Investment Income	Other	Total
1994	24.1800%	23.9735%	\$ 502,019	\$ 0	\$ 517,837	\$ 1,056	\$ 1,020,912
1993	27.7700	28.4157	548,707	0	711,938	16	1,260,661
1992	25.5100	29.0000	500,250	0	472,233	0	972,483
1991	26.6100	27.1984	527,648	0	322,038	25	849,711
1990	30.1700	31.6559	605,577	0	418,395	530	1,024,502
1989	24.9800	27.4438	513,199	0	279,364	78	792,641
1988	24.9800	25.5018	359,066	0	112,845	105	472,016
1987	24.9800	24.4426	346,596	0	384,409	(89)	730,916
1986	24.9800	23.4466	255,229	0	246,517	(19)	501,727
1985	18.3733	18.2150	152,743	802,440	141,569	1	1,096,753

### ALJRS Expenses By Type

Fiscal Year	Benefits	Administrative	Total
1994	\$ 565,082	\$ 18,262	\$ 583,344
1993	502,310	19,964	522,274
1992	399,463	23,080	422,543
1991	317,374	20,537	337,911
1990	191,534	21,369	212,903
1989	163,327	17,819	181,146
1988	104,757	13,412	118,169
1987	52,983	14,665	67,648
1986	11,412	10,624	22,036
1985	0	6,746	6,746

# Missouri State Employees' Retirement System

## Combining Balance Sheet - Pension Trust Funds

June 30, 1994

	MOSERS	ALJRS	Total
<b>ASSETS</b>			
Cash	\$ 13,471,953	\$ 34,496	\$ 13,506,449
Contributions receivable	9,752,999	41,674	9,794,673
Accrued interest and dividends	18,457,591	47,265	18,504,856
Accounts receivable - securities sold	291,455,396	746,297	292,201,693
Accounts receivable - other	27,720	71	27,791
Investments; at cost	2,963,406,298	7,588,065	2,970,994,363
Office building, equipment and fixtures net of accumulated depreciation	1,910,219	4,891	1,915,110
Total assets	\$ 3,298,482,176	\$ 8,462,759	\$ 3,306,944,935

### LIABILITIES AND FUND BALANCES

#### *Liabilities:*

Accounts payable - securities purchased	\$ 288,349,219	\$ 738,344	\$ 289,087,563
Collateral for securities on loan	557,545,794	1,427,646	558,973,440
Other	1,621,154	4,151	1,625,305
Total liabilities	847,516,167	2,170,141	849,686,308

#### *Fund balances:*

Reserved for employees' retirement benefits:			
Member contributions - MOSERS	448,559		448,559
State contributions - MOSERS	2,450,517,450		2,450,517,450
State contributions - ALJRS		6,292,618	6,292,618
Total fund balances	2,450,966,009	6,292,618	2,457,258,627
Total liabilities and fund balances	\$ 3,298,482,176	\$ 8,462,759	\$ 3,306,944,935

See accompanying Independent Auditors' Report.



# Missouri State Employees' Retirement System

## Combining Statement of Revenues, Expenses and Changes in Fund Balances - Pension Trust Funds

Year Ended June 30, 1994

	MOSERS	ALJRS	Total
<b>OPERATING REVENUES</b>			
State contributions	\$ 106,759,862	\$ 502,019	\$ 107,261,881
Service credit purchases	765,977	0	765,977
State reimbursements	8,205,509	0	8,205,509
Investment income	201,696,814	517,837	202,214,651
Miscellaneous income	411,469	1,056	412,525
Total operating revenues	317,839,631	1,020,912	318,860,543
<b>OPERATING EXPENSES</b>			
Retirement benefits	88,049,397	565,082	88,614,479
Disability benefits	436,022	0	436,022
Survivors' benefits	4,202,875	0	4,202,875
Contribution refunds	1,598	0	1,598
Service credit transfers	16,252	0	16,252
Administrative	7,113,433	18,262	7,131,695
Total operating expenses	99,819,577	583,344	100,402,921
Operating revenues over expenses	218,020,054	437,568	218,457,622
Fund balances July 1, 1993	2,232,945,955	5,855,050	2,238,801,005
Fund balances June 30, 1994	\$ 2,450,966,009	\$ 6,292,618	\$ 2,457,258,627

See accompanying Independent Auditors' Report.

# Missouri State Employees' Retirement System

## Schedule of Administrative Expenses

Year Ended June 30, 1994

	<u>Fiduciary Fund Type - Pension Trusts</u>			<u>Proprietary Fund Type Internal Service</u>
	<u>MOSERS</u>	<u>ALJRS</u>	<u>Total</u>	
<b>PERSONAL SERVICE</b>				
Salaries	\$ 1,065,777	\$ 2,733	\$ 1,068,510	\$ 821,999
Employee fringe benefits	265,835	683	266,518	277,881
Total personal service	1,331,612	3,416	1,335,028	1,099,880
<b>PROFESSIONAL SERVICES</b>				
Investment services	3,776,492	9,696	3,786,188	4,449
Actuarial services	161,485	415	161,900	51,879
Attorney services	285,373	733	286,106	9,380
Auditing services	40,671	104	40,775	6,000
Physical examinations	1,067	3	1,070	0
Banking services	13,590	35	13,625	14,097
Data processing consulting	348,966	896	349,862	11,004
Claims administrative services	0	0	0	1,092,453
Total professional services	4,627,644	11,882	4,639,526	1,189,262
<b>COMMUNICATIONS</b>				
Postage and mailing	62,150	160	62,310	45,241
Telephone	19,265	49	19,314	60,038
Printing	31,311	80	31,391	36,457
Total communications	112,726	289	113,015	141,736
<b>BUILDING AND GROUNDS</b>				
Depreciation	29,790	76	29,866	0
Utilities	26,066	67	26,133	16,070
Maintenance	73,603	189	73,792	10,906
Rent	0	0	0	25,926
Total building and grounds	129,459	332	129,791	52,902
<b>EQUIPMENT</b>				
Depreciation	378,158	971	379,129	0
Maintenance	141,377	363	141,740	21,391
Rental	73,505	189	73,694	1,124
Reimbursed shared expenses	(77,090)	(198)	(77,288)	77,288
Loss on sale of equipment	34,349	88	34,437	0
Total equipment	550,299	1,413	551,712	99,803
<b>TRAVEL AND MEETINGS</b>				
Board travel and meetings	13,440	35	13,475	2,071
Staff meals and travel	91,353	235	91,588	17,293
State car	1,390	4	1,394	623
Total travel and meetings	106,183	274	106,457	19,987
<b>GENERAL</b>				
Educational materials	11,707	30	11,737	13,669
Office supplies	81,367	209	81,576	30,835
Subscriptions and dues	26,608	68	26,676	3,926
Insurance	103,866	267	104,133	19,551
Consolidated Health Care Expenses	0	0	0	664,837
Miscellaneous	31,962	82	32,044	0
Total general	255,510	656	256,166	732,818
<b>Total administrative expenses</b>	<b>\$7,113,433</b>	<b>\$18,262</b>	<b>\$7,131,695</b>	<b>\$ 3,336,388</b>

See accompanying Independent Auditors' Report.



# Missouri State Employees' Retirement System

## Internal Service Fund

### Ten Year Historical Data

Ten Years Ended June 30, 1994

#### Revenues By Source

Fiscal Year	Employer Contributions	Member Contributions	Investment Income	Other	Total
1994	\$ 37,918,127	\$ 11,513,810	\$ 384,795	\$ 21,316,459	\$ 71,133,191
1993	62,080,566	21,380,567	693,202	28,716,294	112,870,629
1992	51,919,719	18,802,967	2,114,338	24,632,004	97,469,028
1991	48,641,390	16,954,753	2,191,155	26,469,021	94,256,319
1990	46,378,087	15,658,445	1,927,530	27,958,837	91,922,899
1989	45,111,161	15,548,221	898,264	23,238,515	84,796,161
1988	33,613,800	14,744,801	791,492	18,072,125	67,222,218
1987	26,841,381	13,697,408	1,180,017	14,743,260	56,462,066
1986	25,692,367	13,269,215	1,171,325	9,465,907	49,598,814
1985	24,407,725	11,637,144	1,262,153	3,757,028	41,064,050

#### Expenses By Type

Fiscal Year	Medical Claims	Administrative	Other	Total
1994	\$ 23,005,156	\$ 3,336,388	\$ 21,047,548	\$ 47,389,092
1993	83,281,386	6,055,713	28,536,209	117,873,308
1992	83,674,959	5,291,117	24,617,635	113,583,711
1991	67,969,018	5,814,424	27,179,476	100,962,918
1990	49,407,467	4,933,409	27,743,836	82,084,712
1989	50,881,898	2,985,644	23,122,807	76,990,349
1988	54,210,305	3,279,229	17,471,794	74,961,328
1987	41,705,334	2,725,664	14,046,802	58,477,800
1986	41,637,796	1,688,469	9,327,275	52,653,540
1985	32,380,372	1,341,813	4,034,152	37,756,337

See accompanying Independent Auditors' Report.

# MOSERS

## Investment Summary

### Year Ended June 30, 1994

Type of Investment	June 30, 1993		Purchases	Sales and Redemptions	June 30, 1994		% Total Market
	Book Value	Market Value			Book Value	Market Value	
Fixed Income:							
Treasury bonds, notes and bills	\$ 608,454,021	\$ 672,369,101	\$ 611,284,818	\$ 567,534,735	\$ 652,204,104	\$ 619,530,066	21.29%
Government bonds	272,714,389	279,279,915	98,416,500	172,182,073	198,948,816	190,832,100	6.56
FHA mortgages	1,369,159	1,591,147	0	398,109	971,050	920,418	0.03
Corporate bonds	112,018,651	109,761,362	222,668,374	121,059,886	213,627,139	209,207,481	7.19
Convertible bonds	0	0	2,153,649	0	2,153,649	2,005,645	0.07
Collateralized mortgage obligations	7,212,872	7,285,632	0	3,964,635	3,248,237	3,203,920	0.11
Guaranteed investment contracts	23,139,940	23,139,941	0	1,698,437	21,441,503	21,441,504	0.74
Total fixed income	1,024,909,032	1,093,427,098	934,523,341	866,837,875	1,092,594,498	1,047,141,134	35.99
Common stocks	1,128,819,477	1,245,600,040	480,305,662	551,175,338	1,057,949,801	1,075,084,615	36.95
Preferred stocks	1,560,833	1,913,424	837,831	1,595,129	803,535	699,518	0.02
S & P Index Fund	0	0	134,317,310	134,317,310	0	0	0.00
Real Estate:							
Loans and mortgages	20,910,355	22,784,491	0	2,818,911	18,091,444	19,766,394	0.68
Equity holdings	78,160,512	53,293,177	3,401,020	2,997,242	78,564,290	56,000,615	1.93
Closed-end real estate fund	9,447,511	7,567,971	0	0	9,447,511	7,039,046	0.24
REIT's	399,721	411,073	7,487,561	736,132	7,151,150	6,986,844	0.24
Total real estate	108,918,099	84,056,712	10,888,581	6,552,285	113,254,395	89,792,899	3.09
Venture capital limited partnerships	30,369,013	29,582,157	595,048	2,747,642	28,216,419	26,317,951	0.90
Short-term investment fund	545,911,786	545,911,784	3,283,661,168	3,164,246,225	665,326,729	665,326,729	22.87
Repurchase agreements	31,106,773	31,106,773	417,247,925	443,093,777	5,260,921	5,260,921	0.18
Total investments	\$2,871,595,013	\$3,031,597,988	\$5,262,376,866	\$5,170,565,581	\$2,963,406,298	\$2,909,623,767	100.00%

See accompanying Independent Auditors' Report.

Note: Due to space limitations and printing costs, a detailed listing of the investment holdings and transactions could not be provided in this annual report; however, the detailed reports are available for review as an appendix to this report at the MOSERS office.



# ALJRS

## Investment Summary

### Year Ended June 30, 1994

Type of Investment	June 30, 1993		Purchases	Sales and Redemptions	June 30, 1994		% Total Market
	Book Value	Market Value			Book Value	Market Value	
Fixed Income:							
Treasury bonds, notes and bills	\$ 1,580,056	\$ 1,746,034	\$ 562,384	\$ 522,134	\$ 1,620,306	\$ 1,539,132	20.66%
Government bonds	710,074	727,169	90,544	158,408	642,210	616,009	8.27
FHA mortgages	3,625	4,213	0	366	3,259	3,092	0.04
Corporate bonds	299,125	293,098	204,856	111,376	392,605	384,483	5.16
Convertible bonds	0	0	1,981	0	1,981	1,845	0.02
Collateralized mortgage obligations	21,177	21,391	0	3,647	17,530	17,291	0.23
Guaranteed investment contracts	60,059	60,059	0	1,563	58,496	58,496	0.78
Total fixed income	2,674,116	2,851,964	859,765	797,494	2,736,387	2,620,348	35.16
Common stocks	2,954,117	3,259,731	441,883	507,083	2,888,917	2,935,707	39.39
Preferred stocks	5,874	7,201	771	1,468	5,177	4,507	0.06
S & P Index Fund	0	0	123,572	123,572	0	0	0.00
Real Estate:							
Loans and mortgages	54,917	59,839	0	2,593	52,324	57,168	0.77
Equity holdings	205,151	139,881	3,129	2,757	205,523	146,497	1.98
Closed-end real estate fund	24,804	19,869	0	0	24,804	18,481	0.25
REIT's	1,023	1,052	6,889	677	7,235	7,069	0.09
Total real estate	285,895	220,641	10,018	6,027	289,886	229,215	3.09
Venture capital limited partnerships	79,853	77,783	547	2,528	77,872	72,633	0.97
Short-term investment fund	1,420,964	1,420,963	3,020,979	2,911,117	1,530,826	1,530,826	20.54
Repurchase agreements	82,779	82,779	383,869	407,648	59,000	59,000	0.79
Total investments	\$ 7,503,598	\$ 7,921,062	\$ 4,841,404	\$ 4,756,937	\$ 7,588,065	\$ 7,452,236	100.00%

See accompanying Independent Auditors' Report.

Note: Due to space limitations and printing costs, a detailed listing of the investment holdings and transactions could not be provided in this annual report; however, the detailed reports are available for review as an appendix to this report at the MOSERS office.

# Internal Service Fund

## Investment Summary

Year Ended June 30, 1994

Type of Investment	June 30, 1993		Purchases	Sales and Redemptions	June 30, 1994		% Total Market
	Book Value	Market Value			Book Value	Market Value	
Treasury bonds, notes and bills	\$1,252,906	\$1,406,028	\$ 0	\$ 1,252,906	\$ 0	\$ 0	0.00%
Short-term investments	7,856,814	7,856,814	69,606,139	76,648,122	814,831	814,831	59.61
Repurchase agreements	534,277	534,277	120,225,626	120,207,790	552,113	552,113	40.39
Total investments	<u>\$9,643,997</u>	<u>\$9,797,119</u>	<u>\$189,831,765</u>	<u>\$198,108,818</u>	<u>\$1,366,944</u>	<u>\$1,366,944</u>	100.00%

See accompanying Independent Auditors' Report.

Note: Due to space limitations and printing costs, a detailed listing of the investment holdings and transactions could not be provided in this annual report; however, the detailed reports are available for review as an appendix to this report at the MOSERS office.



## Pension Trust Funds

### Schedule of Ten Largest Equity Investment Holdings

June 30, 1994

Shares	Description	Cost	Market	% of Total Invested Market
371,800	Exxon Corporation Common	\$ 22,705,592	\$ 21,099,650	0.72%
371,900	General Electric Corporation Common	14,179,715	17,339,838	0.59
211,100	Ford Motor Company Common	11,095,845	12,454,900	0.43
213,900	Philip Morris Companies Incorporated Common	12,373,450	11,015,850	0.38
125,800	Mobil Corporation Common	7,978,465	10,252,700	0.35
228,200	Coca Cola Company Common	8,471,669	9,270,625	0.32
176,336	Nationsbank Corporation Common	9,099,872	9,059,262	0.31
158,800	Amoco Corporation Common	8,633,901	9,031,750	0.31
371,700	Wal Mart Stores Incorporated Common	8,133,436	9,013,725	0.31
165,633	AT & T Corporation Common	6,554,123	9,006,294	0.31
	Totals	<u>\$109,226,068</u>	<u>\$117,544,594</u>	4.03%

## Schedule of Investment Service Fees

Year Ended June 30, 1994

	Fiduciary Fund Type Pension Trusts	Proprietary Fund Type Internal Service	Total (Memorandum Only)
Investment managers' fees:			
Fixed income managers	\$ 1,218,512	\$ 2,756	\$ 1,221,268
Equity managers	917,197	0	917,197
Venture capital managers	301,844	0	301,844
Total investment managers' fees	<u>2,437,553</u>	<u>2,756</u>	<u>2,440,309</u>
Other investment service fees:			
Custodian fees	341,713	1,693	343,406
Security lending fees	854,422	0	854,422
Investment consultant fees	152,500	0	152,500
Total investment service fees	<u>\$3,786,188</u>	<u>\$4,449</u>	<u>\$3,790,637</u>

See accompanying Independent Auditors' Report.

# Pension Trust Funds

## Schedule of Brokerage Commissions Paid

Year Ended June 30, 1994

(Unaudited)

Brokerage Firms	Number of Confirmations	Number of Shares	Commissions	Commissions Per Share
Investment Tech	3,780	15,939,725	\$ 306,739	\$ .019
Instinet Clears Thru Securities Settlement	2,056	8,695,562	140,866	.016
Broadcourt Capital Corp.	46	1,576,800	94,608	.060
Merrill Lynch, Pierce Fenner & Smith, Inc.	1,174	4,348,720	74,378	.017
Bridge Trading	283	1,341,796	65,153	.049
Salomon Brothers, Inc.	36	595,000	30,840	.052
Bear, Stearns & Co.	55	826,586	30,341	.037
Cowen & Company	47	647,400	28,790	.044
Edwards, A.G. & Sons, Inc.	84	449,000	23,143	.052
Capital Institution Services	10	370,900	22,254	.060
Lynch Jones & Ryan	154	474,700	21,665	.046
Execution Services	91	570,100	18,705	.033
Lehman Brothers	29	373,800	16,398	.044
Weis Peck & Greer	6	242,600	14,556	.060
Kidder, Peabody & Co. Inc.	36	331,500	13,997	.042
Lewco Securities	46	464,900	13,345	.029
Jefferies & Company, Inc.	33	294,200	13,172	.045
Donaldson, Lufkin & Jenrette Sec. Corp.	30	330,200	11,815	.036
Standard & Poor Securities, Inc.	6	191,800	11,508	.060
First Boston Corporation	118	485,000	10,948	.023
Paine, Webber, Jackson & Co.	24	262,400	9,563	.036
County Natwest Securities Corp.	6	152,500	9,150	.060
Deutsch Bank Capital Corp.	5	146,000	8,760	.060
Goldman Sachs & Co.	38	339,300	8,518	.025
Bernard Herold	21	321,300	8,332	.026
Alex Brown & Sons, Inc.	62	431,400	8,262	.019
Dain Bosworth Inc.	35	253,150	8,246	.033
Oppenheimer & Company, Inc.	14	128,500	7,710	.060
Weeden and Co. Clears Thru FICS	14	148,900	7,422	.050
Prudential Bach Securities	24	212,400	7,238	.034
Morgan, J.P. Equities Inc.	5	102,900	6,174	.060
Roulston Research	6	98,900	5,934	.060
Correspondent Services Company	12	105,200	5,672	.054
Bernstein, Sanford & Co.	22	106,400	5,660	.053
Morgan Stanley & Co. Inc.	19	185,000	5,646	.031
Gardner Rech & Company	1	92,700	5,562	.060
Leg Mason Wood Walker, Inc.	16	104,500	5,225	.050
Others	373	3,073,300	86,698	.028
Totals	8,817	44,815,039	\$ 1,172,993	\$ .026

See accompanying Independent Auditors' Report.







*Actuarial  
Section*



# Actuary's Certification Letter

**GABRIEL, ROEDER, SMITH & COMPANY**  
Actuaries & Consultants

1000 Town Center • Suite 1000 • Southfield, Michigan 48075 • 810-799-9000

September 28, 1994

The Board of Trustees  
Missouri State Employees' Retirement System  
Jefferson City, Missouri 65101

The primary financial objective of MOSERS is to establish contribution rates which, expressed as a percent of active member payroll, will remain approximately level from generation to generation of Missouri citizens.

In order to determine MOSERS' present reserve position and level contribution rates for the future, annual actuarial valuations are made. The latest completed actuarial valuation was based upon data and benefit provisions in effect as of August 28, 1994 for purposes of calculating funding requirements while benefit provisions in effect June 30, 1994 were used for calculation of the pension benefit obligations. Details of our work are shown in our annual valuation report.

Assumptions concerning future financial experiences are needed for an actuarial valuation. These assumptions are established by the Board after consulting with the actuary. Various non-economic assumptions were changed for the 1992 valuation based on results of an experienced investigation covering the period of 1988-1991. Economic assumptions were most recently changed by the Board in connection with the 1990 valuation. In our opinion, the assumptions in use produce results which, in the aggregate, are reasonable.

The level percent contribution rate computed as of June 30, 1994 was 10.69% of payroll for 49,436 general state employees and 21.16% of payroll for 36 administrative law judges.

Results of the 1994 actuarial valuation indicated that actuarial accrued liabilities are approximately 83% covered by assets, a strong reserve position.

Respectfully submitted,



Thomas J. Cavanaugh, F.S.A.



Mita D. Drazilov A. S.A.

TJC/MDD:ct

# Summary of Actuarial Assumptions

June 30, 1994

## Economic Assumptions

1. The investment return rate used in the valuations was 8.5% per year, compounded annually (net after investment expenses). This assumption is used to make money payable at one point in time equal in value to a different amount of money payable at another point in time.
2. Pay increase assumptions for individual active members are shown for sample ages on page 57. Part of the assumption for each age is for merit and/or seniority increase, and the other 5.0% recognizes wage inflation. This assumption is used to project a member's current salary to the salaries upon which benefits will be based.
3. The active member payroll is assumed to increase 5.0% annually, which is the portion of the individual pay increase assumptions attributable to inflation.
4. The number of active members is assumed to continue at the present number.

## Non-Economic Assumptions

5. The mortality table, for post-retirement mortality, used in evaluating allowances to be paid was the 1971 Group Annuity Mortality Table, projected to the year 2000, with no age adjustment for men and a 5 year age setback for women. This assumption is used to measure probabilities of members dying before retirement and the probabilities of each benefit payment being made after retirement.
6. The probabilities of age and service retirement are shown on page 56.
7. The probabilities of withdrawal from service, disability and death-in-service are shown for sample ages on page 57. For disability retirement, impaired longevity was recognized by basing benefit values on an adjusted age midway between attained and normal retirement age.
8. The entry age normal actuarial cost method of valuation was used in determining liabilities and normal cost.  
Differences in the past between assumed experience and actuarial experience ("actuarial gains and losses") become part of actuarial accrued liabilities.  
Unfunded actuarial accrued liabilities are amortized to produce payments, (principal & interest) which are level percent of payroll contributions.
9. Employer contribution dollars were assumed to be paid in equal installments throughout the employer fiscal year.
10. Present assets (cash & investments) were used at 3 year moving average market value.
11. The data about persons now covered and about present assets were furnished by the System's administrative staff. Although examined for general reasonableness, the data was not audited by the Actuary.

The actuarial valuation computations were made by or under the supervision of a Member of American Academy of Actuaries (M.A.A.A.)



## Summary of Actuarial Assumptions

Ended June 30, 1994

### Percent of Eligible Active Members Retiring Next Year

Retirement Ages	Percent	
	<u>Men</u>	<u>Women</u>
50	25.0%	25.0%
51	25.0	25.0
52	25.0	25.0
53	25.0	25.0
54	25.0	25.0
55	3.5	3.5
56	3.5	3.5
57	3.5	3.5
58	3.5	3.5
59	4.0	4.0
60	5.0	8.0
61	10.0	15.0
62	20.0	25.0
63	20.0	15.0
64	25.0	25.0
65	45.0	55.0
66	35.0	35.0
67	30.0	25.0
68	30.0	25.0
69	45.0	60.0
70 and Over	100.0%	100.0%

## Summary of Actuarial Assumptions

June 30, 1994

### Separations From Active Employment Before Service Retirement and Individual Pay Increase Assumptions

Sample Ages	Years of Service	Percent of Active Members Separating Within the Next Year						Pay Increase Assumptions For An Individual Employee		
		Withdrawal		Death		Disability		Merit & Seniority	Base (Economy)	Increase Next Year
		Men	Women	Men	Women	Men	Women			
	0	28.0%	28.0%							
	1	16.0	16.0							
	2	13.0	13.0							
	3	12.0	12.0							
	4	10.0	10.0							
20	5+	10.0	10.0	.04%	.04%	.00%	.00%	2.7%	5.0%	7.7%
25		10.0	10.0	.05	.04	.04	.02	2.6	5.0	7.6
30		8.8	8.2	.07	.05	.05	.03	2.2	5.0	7.2
35		6.2	5.8	.09	.07	.07	.07	1.9	5.0	6.9
40		4.4	4.7	.14	.09	.09	.11	1.4	5.0	6.4
45		3.4	4.2	.24	.14	.17	.17	1.2	5.0	6.2
50		2.7	3.7	.44	.24	.24	.35	0.7	5.0	5.7
55		1.9	2.6	.71	.44	.46	.49	0.7	5.0	5.7
60		1.2	1.4	1.09	.71	.66	.53	0.0	5.0	5.0
65		1.0	1.0	1.77	1.09	-	-	0.0	5.0	5.0



# Pension Trust Funds

## Summary of Member Data Included in Valuation

June 30, 1994

### Active Members

Active Members			Group Averages		
Valuation Group	Number	Payroll	Salary	Age (yrs.)	Service (yrs.)
MOSERS					
Regular State Employees	43,985	\$ 940,792,217	\$ 21,389	41.8	9.5
Elected Officials	6	446,756	74,459	50.0	5.3
Legislative Clerks	142	2,196,955	15,472	45.2	8.3
Legislators	193	4,546,308	23,556	49.2	7.8
Uniformed Water Patrol	67	1,975,194	29,481	38.6	12.4
Conservation Department	1,355	37,434,723	27,627	41.2	12.7
Contract Employees	3,688	137,469,855	37,275	46.9	12.0
Total in MOSERS group	49,436	1,124,862,008	22,754	42.2	9.8
ALJRS	36	2,094,062	58,168	45.1	6.4
Non-Funded Judges	354	27,006,602	76,290	52.1	11.6

### Retired Lives

Medicare Lives			Group Averages	
Type of Benefit Payment	Number	Annual Benefits	Benefit	Age (yrs.)
MOSERS				
Retirement	12,393	\$ 82,350,012	\$ 6,645	72.4
Disability	123	416,100	3,383	57.3
Survivor of Active Member	626	2,287,728	3,655	60.3
Survivor of Retired Member	509	2,387,568	4,690	71.5
Total in MOSERS group	13,651	87,441,408	6,405	71.7
ALJRS				
	20	578,172	28,909	68.8
Non-Funded Judges	317	8,429,664	26,592	75.0

### Others

Group	Terminated Vested	Leave of Absence	Long-Term Disability
MOSERS	9,443	307	740
ALJRS	8	0	0
Non-Funded Judges	48	0	1

MOSERS

Active Members by Attained Age and Years of Service

June 30, 1994

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	Number	Valuation Payroll
Under 20	52							52	\$ 644,370
20-24	1,811	32						1,843	28,883,838
25-29	4,115	907	45					5,067	94,397,893
30-34	3,088	2,333	841	103				6,365	128,926,699
35-39	2,583	2,175	1,438	1,052	68			7,316	160,367,861
40-44	2,399	1,981	1,347	1,617	838	64		8,246	195,183,621
45-49	1,956	1,688	1,128	1,223	1,225	541	25	7,786	190,586,997
50-54	1,148	1,156	785	823	752	638	205	5,507	139,930,352
55-59	708	811	577	602	521	491	331	4,041	103,828,880
60	106	138	100	105	95	66	75	685	17,153,414
61	87	118	98	94	75	75	68	615	15,444,060
62	60	92	88	97	78	58	55	528	13,452,537
63	48	86	55	34	49	29	39	340	9,252,751
64	41	51	44	39	43	33	22	273	7,477,059
65	20	51	24	42	24	19	32	212	5,591,931
66	14	31	23	23	9	14	11	125	3,184,366
67	6	23	20	26	8	9	7	99	2,667,252
68	5	17	13	19	12	8	13	87	2,060,085
69	4	10	10	13	7	10	7	61	1,481,528
70 & Over	14	30	43	37	23	22	19	188	4,346,514
Totals	18,265	11,730	6,679	5,949	3,827	2,077	909	49,436	\$ 1,124,862,008

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age	42.2 years
Service	9.8 years
Annual Pay	\$ 22,754



# ALJRS

## Active Members by Attained Age and Years of Service

June 30, 1994

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	Number	Valuation Payroll
30-34	5	1						6	\$ 321,663
35-39	6							6	338,168
40-44	2	6						8	490,054
45-49	4	2	1					7	421,866
50-54	1		1	1				3	172,717
55-59	1		1					2	121,670
63					1			1	49,987
70 & Over	1	1					1	3	177,937
Totals	20	10	3	1	1	1		36	\$ 2,094,062

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age	45.2 years
Service	6.4 years
Annual Pay	\$ 58,168

# MOSERS

## Retirees and Beneficiaries Added and Removed

Ten Years Ended June 30, 1994

		Beginning Balance	Additions	Deletions	Ending Balance
FY 94	Retirees Beneficiaries	12,101 1,014	957 168	542 47	12,516 1,135
FY 93	Retirees Beneficiaries	11,607 945	996 107	502 38	12,101 1,014
FY 92	Retirees Beneficiaries	11,131 864	936 117	460 36	11,607 945
FY 91	Retirees Beneficiaries	10,700 795	898 91	467 22	11,131 864
FY 90	Retirees Beneficiaries	10,374 720	866 102	540 27	10,700 795
FY 89	Retirees Beneficiaries	9,961 651	966 105	553 36	10,374 720
FY 88	Retirees Beneficiaries	9,514 576	1,322 96	875 21	9,961 651
FY 87	Retirees Beneficiaries	9,133 520	749 81	368 25	9,514 576
FY 86	Retirees Beneficiaries	8,777 477	765 60	409 17	9,133 520
FY 85	Retirees Beneficiaries	8,463 435	692 51	378 9	8,777 477



# ALJRS

## Retirees and Beneficiaries Added and Removed

Ten Years Ended June 30, 1994

		Beginning Balance	Additions	Deletions	Ending Balance
FY 94	Retirees Beneficiaries	16 3	1 0	0 0	17 3
FY 93	Retirees Beneficiaries	14 3	2 0	0 0	16 3
FY 92	Retirees Beneficiaries	11 2	4 1	1 0	14 3
FY 91	Retirees Beneficiaries	9 0	3 2	1 0	11 2
FY 90	Retirees Beneficiaries	7 0	2 0	0 0	9 0
FY 89	Retirees Beneficiaries	6 0	1 0	0 0	7 0
FY 88	Retirees Beneficiaries	3 0	3 0	0 0	6 0
FY 87	Retirees Beneficiaries	1 0	2 0	0 0	3 0
FY 86	Retirees Beneficiaries	0 0	1 0	0 0	1 0

Plan established fiscal year 1985.

# Judicial

## Retirees and Beneficiaries Added and Removed

Ten Years Ended June 30, 1994

		Beginning Balance	Additions	Deletions	Ending Balance
<b>FY 94</b>	Retirees Beneficiaries	183 124	15 11	12 4	186 131
<b>FY 93</b>	Retirees Beneficiaries	182 125	11 5	10 6	183 124
<b>FY 92</b>	Retirees Beneficiaries	177 122	19 8	14 5	182 125
<b>FY 91</b>	Retirees Beneficiaries	164 111	23 15	10 4	177 122
<b>FY 90</b>	Retirees Beneficiaries	155 108	14 6	5 3	164 111
<b>FY 89</b>	Retirees Beneficiaries	153 97	16 13	14 2	155 108
<b>FY 88</b>	Retirees Beneficiaries	143 88	23 11	13 2	153 97

Information prior to fiscal year 1988 is not available.



# Summary of Accrued and Unfunded Accrued Liabilities

Ten Years Ended June 30, 1994

## MOSERS

	(1)	(2)	(3)	(4)	(5)	(6)
Year Ended June 30	Actuarial Accrued Liabilities	Valuation Assets	Unfunded Actuarial Accrued Liabilities (1) - (2)	Valuation Payroll	Assets as % of Liabilities (2) / (1)	Unfunded Liabilities as % of Payroll (3) / (4)
1994	\$ 2,919,456,425	\$ 2,425,134,504	\$ 494,321,921	\$ 1,124,862,008	83.1%	43.9%
1993	2,447,222,060	2,236,558,739	210,663,321	1,063,246,615	91.4	19.8
1992	2,291,583,890	1,991,215,165	300,368,725	1,030,240,894	86.9	29.2
1991	2,052,600,760	1,793,370,043	259,230,717	1,027,719,059	87.4	25.2
1990	1,861,365,216	1,587,114,827	274,250,389	994,228,494	85.3	27.6
1989	1,782,125,565	1,417,715,534	364,410,031	895,170,355	79.6	40.7
1988	1,569,242,030	1,255,558,874	313,683,156	824,486,280	80.0	38.0
1987	1,208,155,321	1,029,734,188	178,421,133	692,363,414	85.2	25.8

Information prior to fiscal year 1987 is not available.

## ALJRS

	(1)	(2)	(3)	(4)	(5)	(6)
Year Ended June 30	Actuarial Accrued Liabilities	Valuation Assets	Unfunded Actuarial Accrued Liabilities (1) - (2)	Valuation Payroll	Assets as % of Liabilities (2) / (1)	Unfunded Liabilities as % of Payroll (3) / (4)
1994	\$ 8,766,732	\$ 6,229,224	\$ 2,537,508	\$ 2,094,062	71.1%	121.2%
1993	8,164,468	5,864,317	2,300,151	1,931,355	71.8	119.1
1992	7,483,415	5,247,546	2,235,869	1,725,380	70.1	129.6
1991	7,202,859	4,707,938	2,494,921	1,940,201	65.4	128.6
1990	6,333,743	4,093,598	2,240,145	1,912,986	64.6	117.1
1989	6,450,259	3,348,429	3,101,830	1,869,790	51.9	165.9
1988	5,383,168	2,723,051	2,660,117	1,407,692	50.6	189.0
1987	4,186,361	2,243,078	1,943,283	1,418,040	53.6	137.0

Information prior to fiscal year 1987 is not available.

# Short-Term Solvency Test

Ten Years Ended June 30, 1994

## MOSERS

Fiscal Year	Actuarial Accrued Liabilities for				Percentage of Actuarial Liabilities Covered by Net Assets Available for		
	Member Contributions	Current Retirees & Beneficiaries	Active & Inactive Members, Employer Financed Portion	Net Assets Available for Benefits	(1)	(2)	(3)
	(1)	(2)	(3)				
1994	\$ 448,559	\$ 909,819,763	\$ 2,009,188,103	\$ 2,425,134,504	100.00%	100.00%	75.4%
1993	448,909	743,697,883	1,703,075,268	2,236,558,739	100.00	100.00	87.6
1992	455,328	662,010,170	1,629,118,392	1,991,215,165	100.00	100.00	81.6
1991	465,307	587,489,069	1,464,646,384	1,793,370,043	100.00	100.00	82.3
1990	482,785	520,837,298	1,340,045,133	1,587,114,827	100.00	100.00	79.5
1989	492,278	492,128,269	1,289,505,018	1,417,715,534	100.00	100.00	71.7
1988	496,248	370,132,734	1,198,613,048	1,255,558,874	100.00	100.00	73.8
1987	498,712	332,745,597	874,911,012	1,029,734,188	100.00	100.00	79.6

Information prior to fiscal year 1987 is not available.

## ALJRS

Fiscal Year	Actuarial Accrued Liabilities for				Percentage of Actuarial Liabilities Covered by Net Assets Available for		
	Member Contributions	Current Retirees & Beneficiaries	Active & Inactive Members, Employer Financed Portion	Net Assets Available for Benefits	(1)	(2)	(3)
	(1)	(2)	(3)				
1994	\$ 0	\$ 5,973,718	\$ 2,793,014	\$ 6,229,224	100.00%	100.00%	9.1%
1993	0	5,615,161	2,549,307	5,864,317	100.00	100.00	9.8
1992	0	4,910,423	2,572,992	5,247,546	100.00	100.00	13.1
1991	0	3,587,023	3,615,836	4,707,938	100.00	100.00	31.0
1990	0	2,479,268	3,789,264	4,093,598	100.00	100.00	42.6
1989	0	2,109,119	4,341,140	3,348,429	100.00	100.00	28.5
1988	0	1,752,412	3,630,756	2,723,051	100.00	100.00	26.7
1987	0	772,549	3,413,812	2,243,078	100.00	100.00	43.1

Information prior to fiscal year 1987 is not available.



MOSERS

Total Benefits Payable June 30, 1994

Tabulated by Attained Ages of Benefit Recipients

	Service Retirement		Disability Retirement		Survivors & Beneficiaries		Totals	
Attained Ages	Number	Annual Benefits	Number	Annual Benefits	Number	Annual Benefits	Number	Annual Benefits
Under 20		\$		\$	27	\$ 45,996	27	\$ 45,996
20-24					3	4,212	3	4,212
25-29								
30-34					6	17,328	6	17,328
35-39			1	1,308	18	82,908	19	84,216
40-44			7	30,420	35	180,972	42	211,392
45-49			12	31,644	62	273,708	74	305,352
50-54			19	58,056	70	342,804	89	400,860
55-59	516	4,507,836	32	116,916	120	623,388	668	5,248,140
60-64	1,544	13,692,600	51	175,032	153	741,096	1,748	14,608,728
65-69	3,219	22,640,544	1	2,724	177	707,880	3,397	23,351,148
70-74	2,783	18,309,828			171	702,144	2,954	19,011,972
75-79	2,129	12,294,492			144	486,984	2,273	12,781,476
80-84	1,316	6,696,396			95	324,852	1,411	7,021,248
85-89	646	3,057,576			43	122,508	689	3,180,084
90-94	196	950,520			11	18,516	207	969,036
95	11	43,164					11	43,164
96	8	43,152					8	43,152
97	12	47,724					12	47,724
98	2	6,924					2	6,924
99	6	27,660					6	27,660
100	2	10,740					2	10,740
101	1	4,980					1	4,980
103	1	5,736					1	5,736
106	1	10,140					1	10,140
Totals	12,393	\$ 82,350,012	123	\$416,100	1,135	\$4,675,296	13,651	\$87,441,408

Average Age at Retirement: 62.8 years.

Average Age Now: 71.7 years.

# ALJRS

## Total Benefits Payable June 30, 1994

### Tabulated by Attained Ages of Benefit Recipients

	Service Retirement		Disability Retirement		Survivors and Benficiaries		Totals	
Attained Ages	Number	Annual Benefits	Number	Annual Benefits	Number	Annual Benefits	Number	Annual Benefits
45-49		\$			1	\$ 14,808	1	\$ 14,808
50-59					1	14,340	1	14,340
60-64	1	34,572					1	34,572
65-69	8	255,312			1	3,852	9	259,164
70-74	5	164,892					5	164,892
75-79	3	90,396					3	90,396
Totals	<u>17</u>	<u>\$545,172</u>			<u>3</u>	<u>\$33,000</u>	<u>20</u>	<u>\$578,172</u>

Average Age at Retirement: 62.8 years.  
Average Age Now: 71.7 years.



# MOSERS

## Actuarial Present Values

June 30, 1994

Actuarial Present Value, June 30, for	Actuarial Present Value	Portion Covered by Future Normal Cost Contributions	Actuarial Accrued Liabilities
<b>Active Members</b>			
Service retirement benefits based on service rendered before and likely to be rendered after valuation date	\$2,270,578,732	\$590,537,990	\$1,680,040,742
Disability benefits likely to be paid present active members who become totally and permanently disabled	41,529,568	19,903,903	21,625,665
Survivor benefits likely to be paid to widows and children of present active members who die before retiring	107,918,919	40,004,997	67,913,922
Separation benefits likely to be paid present active members			
Refunds of member contributions	448,559		
Deferred benefits	<u>231,684,360</u>		
Total	<u>232,132,919</u>	<u>120,030,702</u>	<u>112,102,217</u>
Active Member Totals	<u>\$2,652,160,138</u>	<u>\$770,477,592</u>	1,881,682,546
<b>Members on Leave of Absence &amp; LTD</b>			
Service retirement benefits based on service rendered before the valuation date			41,041,640
<b>Terminated Vested Members</b>			
Service retirement benefits based on service rendered before the valuation date			86,912,476
<b>Retired Lives</b>			
			<u>909,819,763</u>
Total Actuarial Accrued Liability			2,919,456,425
Assets Used in Valuation			<u>2,425,134,504</u>
Unfunded Actuarial Accrued Liability			<u>\$ 494,321,921</u>

# ALJRS

## Actuarial Present Values

June 30, 1994

Actuarial Present Value, June 30, for	Actuarial Present Value	Portion Covered by Future Normal Cost Contributions	Actuarial Accrued Liabilities
<b>Active Members</b>			
Service retirement benefits based on service rendered before and likely to be rendered after valuation date	\$4,210,291	\$2,186,294	\$2,023,997
Disability benefits likely to be paid present active members who become totally and permanently disabled	142,375	99,003	43,372
Survivor benefits likely to be paid to widows and children of present active members who die before retiring	260,706	201,326	59,380
Separation benefits likely to be paid present active members	750,441	569,213	181,228
Active Member Totals	<u>\$5,363,813</u>	<u>\$3,055,836</u>	2,307,977
<b>Terminated Vested Members</b>			
Service retirement benefits based on service rendered before the valuation date			485,037
<b>Retired Lives</b>			<u>5,973,718</u>
Total Actuarial Accrued Liability			8,766,732
Assets Used in Valuation			<u>6,229,224</u>
Unfunded Actuarial Accrued Liability			<u>\$2,537,508</u>







*Statistical  
Section*



## Summary

### Plan Membership

Membership in the pension trusts administered by MOSERS increased by 3,050. Active members increased by 1,483, retired members increased by 547, and terminated vested members increased by 1,076. Membership data for the last ten years ended June 30, 1994, can be found on page 73.

### Net Assets vs. Liabilities

The chart on page 74 graphically represents the funding progress of the pension plans for the ten years ended June 30, 1994. The top line represents the accrued liabilities of the plans funded on an actuarial basis and the bottom segment represents the net assets accumulated to fund those liabilities (identified by type of assets). The spread between the total accrued liabilities and the total net assets represents the unfunded actuarial accrued liabilities.

The existence of the unfunded actuarial accrued liabilities is not necessarily a bad indication, but the fluctuations are important and should be monitored and controlled.

### Investments

The asset allocation target mix was changed to a 59/38/3 percent equity/fixed income/cash mix in July 1993. The equity portion includes a 10% international exposure target.

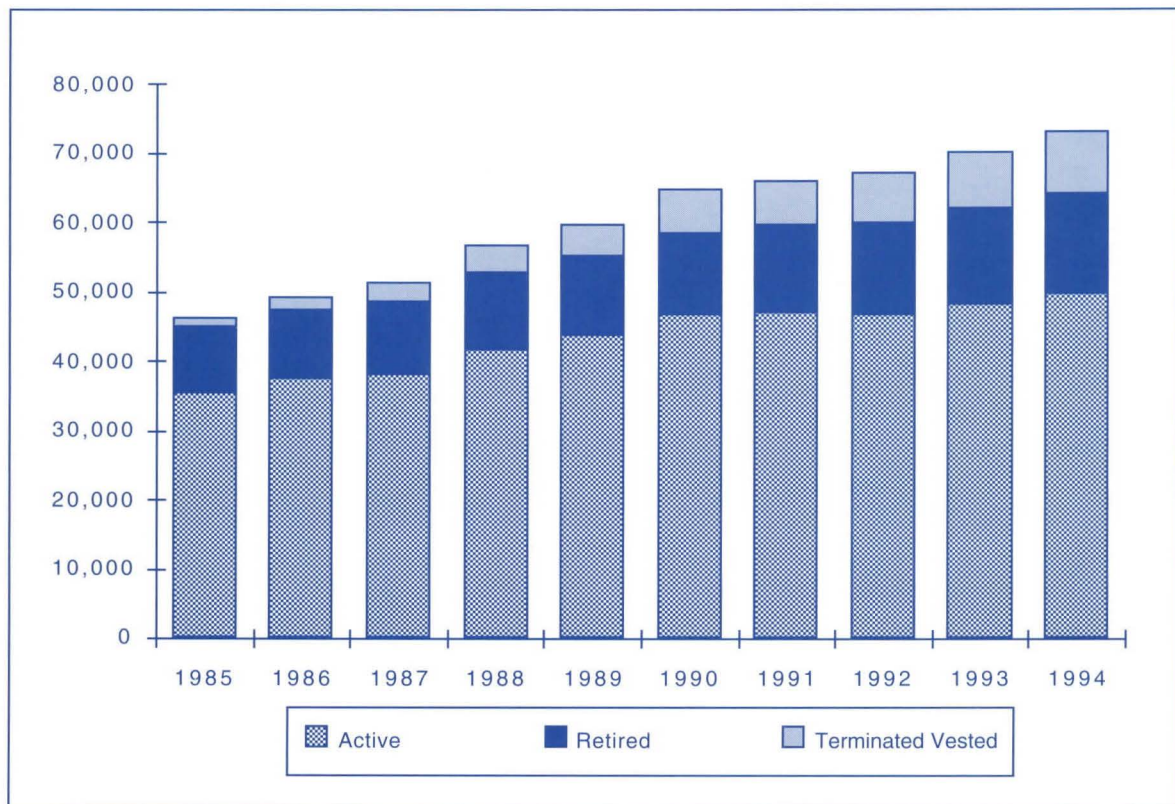
Our equity portion of the portfolio was down by .8% for the year ended June 30, 1994. Our fixed income portion of the portfolio was down by 2.1%. Our venture capital portion of the portfolio was up by 23.3% while our real estate portion was up by 4.3% for the year ended June 30, 1994.

The above asset mix and returns resulted in a total fund return for the year ended June 30, 1994, of negative .8%. More detail and past years' return figures can be found on page 76.

# Missouri State Employees' Retirement System

## Membership in Retirement Plans

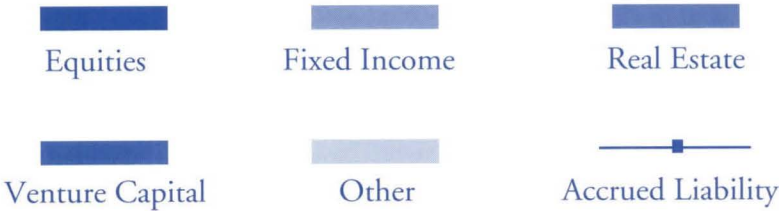
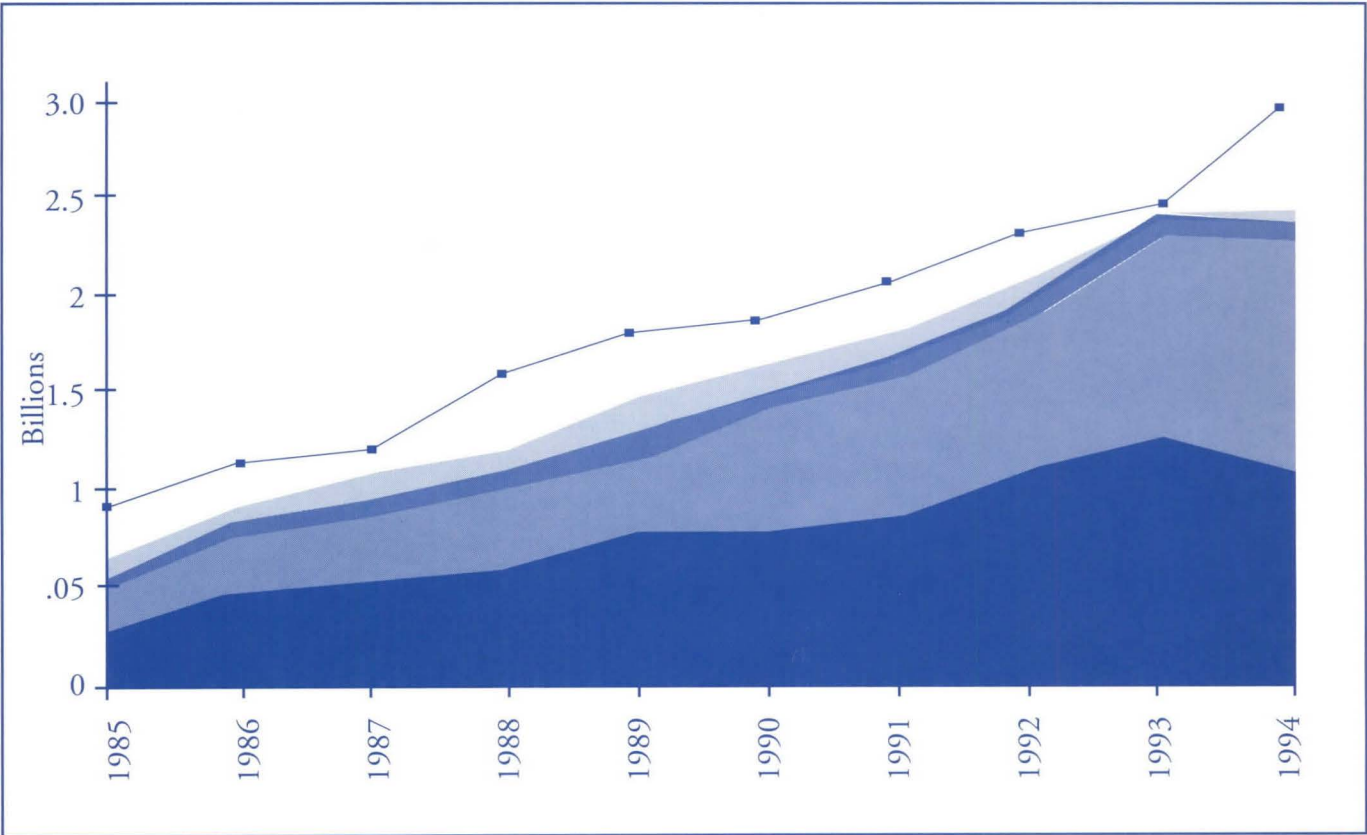
Last Ten Fiscal Years



Fiscal Year	Active	Retired	Terminated Vested
1985	35,575	9,254	1,442
1986	37,552	9,653	2,131
1987	38,174	10,090	3,200
1988	41,944	10,612	4,356
1989	43,787	11,090	4,997
1990	46,834	11,495	6,544
1991	47,105	12,307	6,610
1992	46,999	12,876	7,484
1993	48,343	13,441	8,423
1994	49,826	13,988	9,499



Missouri State Employees' Retirement System  
Pension Trust Funds  
Net Assets vs. Pension Liabilities  
Ten Years Ended June 30, 1994

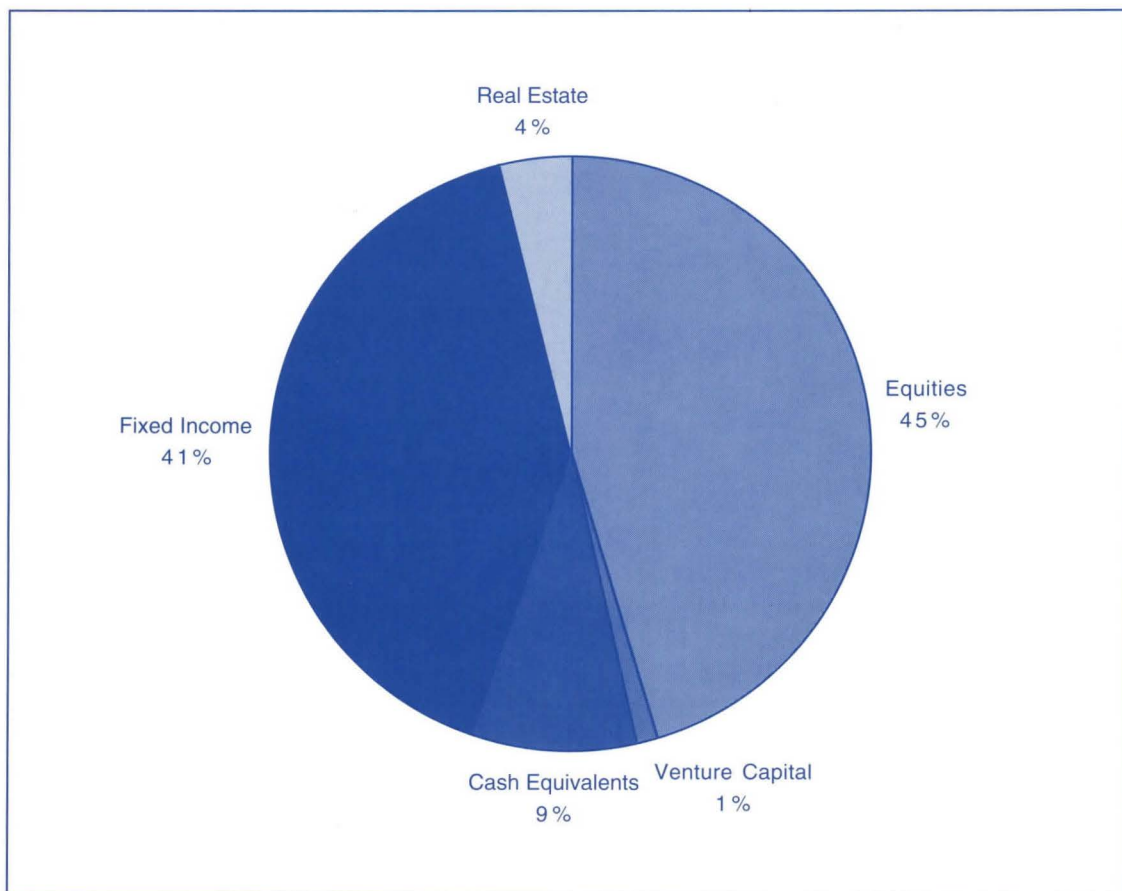


# Missouri State Employees' Retirement System

## Pension Trust Funds

### Investment Diversification

June 30, 1994



	Market
Equities	\$1,078,724,347
Fixed Income	967,873,301
Cash Equivalents	208,799,028
Real Estate	90,022,114
Venture Capital	26,390,584
Total	<u>\$2,371,809,374</u>

NOTE: These figures exclude invested securities lending collateral.

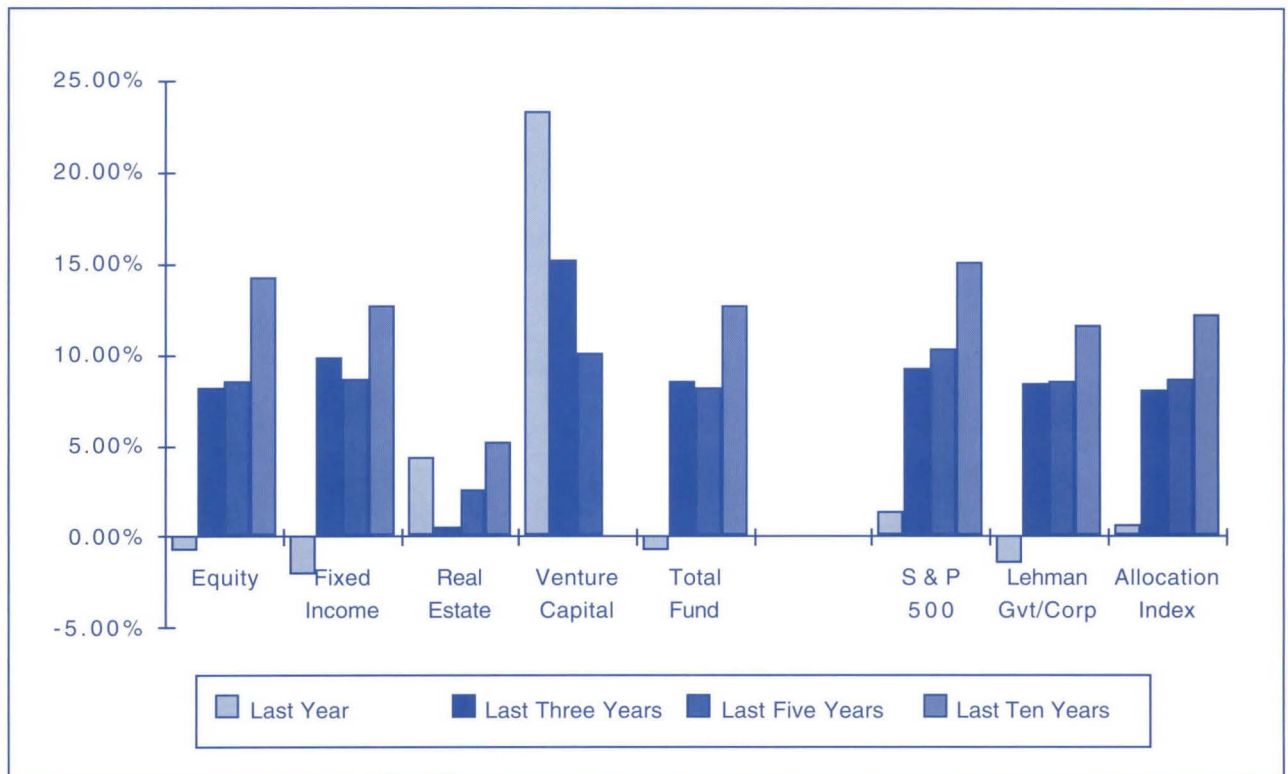


# Missouri State Employees' Retirement System

## Pension Trust Funds

### Investment Performance

Periods Ended June 30, 1994



	Last Year	Last Three Years	Last Five Years	Last Ten Years
Equity	-0.8%	8.2%	8.5%	14.3%
Fixed Income	-2.1	9.8	8.6	12.7
Real Estate	4.3	0.5	2.6	5.2
Venture Capital	23.3	15.2	10.1	N/A
Total Fund	-0.8	8.5	8.2	12.7
S & P 500	1.4	9.3	10.3	15.1
Lehman Gvt/Corp	-1.5	8.4	8.5	11.6
Allocation Index	0.7	8.1	8.7	12.2

Returns provided by the Investment Consultants to MOSERS.

## Benefit Expenses by Type

### Last Ten Fiscal Years

Ended June 30, 1994

	FY94	FY93	FY92	FY91	FY90
Retirement	\$ 78,018,158	\$ 70,002,701	\$ 62,868,259	\$ 56,451,361	\$ 50,622,879
Survivor	4,202,875	3,533,845	3,081,500	2,566,480	2,178,282
Disability	436,022	484,806	566,322	659,961	996,712
Nonfunded	0	0	0	0	0
Judges	8,205,509	7,728,160	7,335,579	6,572,690	5,838,700
Legislators	1,825,730	1,585,456	1,334,577	1,119,047	922,435
Administrative Law Judges	565,082	502,310	399,463	317,374	191,534

	FY89	FY88	FY87	FY86	FY85
Retirement	\$ 44,961,595	\$ 30,597,097	\$ 20,206,526	\$ 17,555,999	\$ 15,271,986
Survivor	1,653,244	1,365,209	1,097,245	921,403	770,414
Disability	1,210,440	1,767,075	1,333,313	1,334,181	1,196,489
Nonfunded	0	4,703,479	11,160,433	7,706,443	6,852,613
Judges	5,142,127	4,380,973	3,572,635	2,969,364	2,728,581
Legislators	714,248	617,267	505,894	340,393	264,663
Administrative Law Judges	163,327	104,757	52,983	11,412	0



# Missouri State Employees' Retirement System

## Benefits Payable June 30, 1994

### Tabulated by Option and Type of Benefit

Type of Benefit	Number	Annual Funded Benefits
Service Retirement		
Normal Annuity	10,052	\$59,660,004
50% Joint & Survivor	804	9,629,628
75% Joint & Survivor	27	219,840
100% Joint & Survivor	1,262	11,242,044
5 Year Certain Life	120	828,132
10 Year Certain Life	128	770,364
Survivor Beneficiary	509	2,387,568
Total	12,902	84,737,580
Disability Retirement	123	416,100
Death-in-Service	626	2,287,728
Grand Total	13,651	\$87,441,408

## Average Monthly Benefit Amounts

### Five Years Ended June 30, 1994

	FY94	FY93	FY92	FY91	FY90
<b>REGULAR</b>					
Member	\$ 546	\$ 516	\$ 484	\$ 455	\$ 426
Survivor	341	315	296	274	251
Disability	281	262	254	249	275
<b>LEGISLATORS</b>					
Member	1,083	1,055	1,046	1,026	964
Survivor	447	424	411	428	439
<b>ADMIN. LAW JUDGES</b>					
Member	2,659	2,639	2,536	2,431	2,085
Survivor	917	917	917	758	0
<b>JUDGES</b>					
Member	3,127	3,006	2,867	2,672	2,575
Survivor	918	882	866	835	781
Disability	0	0	0	0	2,710

# MOSERS

## Retirees & Beneficiaries Tabulated by Year of Retirement

June 30, 1994

Year of Retirement	Number	Total Annual Benefits	Average Monthly Benefit
1994	512	\$ 3,574,392	\$582
1993	1,159	9,004,680	647
1992	954	7,288,752	637
1991	1,009	8,106,552	670
1990	812	6,433,692	660
1989	832	6,136,932	615
1988	841	6,328,656	627
1987	749	4,973,256	553
1986	675	3,868,440	478
1985	624	3,704,760	495
1984	513	2,910,720	473
1983	591	3,371,412	475
1982	587	3,308,136	470
1981	508	2,799,240	459
1980	410	2,129,976	433
1979	326	1,623,456	415
1978	327	1,543,464	393
1977	355	1,761,768	414
1976	384	1,746,528	379
1975	297	1,426,668	400
1974	276	1,099,920	332
1973	310	1,472,628	396
1972	142	708,696	416
1971	97	451,596	388
1970	92	455,220	412
1969	66	314,508	397
1968	54	254,352	393
1967	28	125,088	372
1966	35	158,208	377
1965	34	137,364	337
1964	19	80,988	355
1963	14	58,488	348
1962	5	20,952	349
1961	4	15,000	313
1960 & Prior	10	46,920	391
Totals	13,651	\$87,441,408	\$534





This publication may be provided in alternative formats such as Braille, large print and audiotape.

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